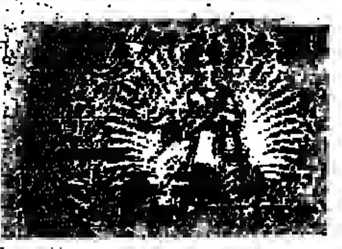
FINANCIAL TIMES

Start the week with...



The Bank of England

Coping with radical changes

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A summer of political stability

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Kenya's media

Message to the hinterland

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World Business Newspaper http://www.FT.com MONDAY AUGUST 4 1997

Work starts on Venezuela gold mining venture

Canada's Placer Dome mining company and Venezuelan state industrial holding company CVG have begun construction work as part of a $600m two-year development plan at one of Latin America's biggest gold mines. The work, at Las Cristinas, 750km south-east of Caracas, could herald a wave of international investment in Venezuela's mines. When it comes on stream, the development will account for 10 per cent of Placer Dome's world output. Page 14

Mobile phone boom brings benefits: Nokia of Finland, the second-biggest mobile phone handset supplier, is expected to announce a big profits rise today on the back of booming world mobile phone sales. Analysts predict pre-tax interim profits up from FM1.1bn to about FM3.1bn ($568.6m). Page 15

Palestinian killed: A Palestinian was shot dead near a Jewish settlement in the West Bank. Israeli TV reported the victim was attacked from a car with Israeli license plates. Netanyahu warns over peace process, Page 2

Nato forces protect village: British peacekeepers ringed the village of Kruscica, central Bosnia, with armoured vehicles to protect 85 newly-returned Moslem villagers from an angry Croat mob, Nato officials said. The Croat demonstrations follow last week's return of the former Moslem residents of three villages to their homes. Bosnia sanctions, Page 2

Holiday chaos hits Italy: Thousands of travellers were left waiting on sweltering Italian railway stations after a train left the rails and a construction crane fell across tracks at Rome's Casilina station. Page 2

Beat generation writer dies

Counterculture author William S. Burroughs, best known for the novel *The Naked Lunch* based on his experiences as a drug addict, died on Saturday aged 83. With the poet Allen Ginsberg and other US writers such as Jack Kerouac and Lawrence Ferlinghetti, Burroughs came to embody the bohemian, anti-establishment beat generation.

Last governor investigated: The UK government confirmed it was officially investigating claims that former Hong Kong governor Chris Patten leaked classified information. The probe follows last month's publication of a book, *The Last Governor*. Page 6

UK supermarket chain looks east: Leading UK supermarket group Tesco is considering expanding into south east Asia, where growing markets have attracted several US, Japanese and European food retailers. Page 15

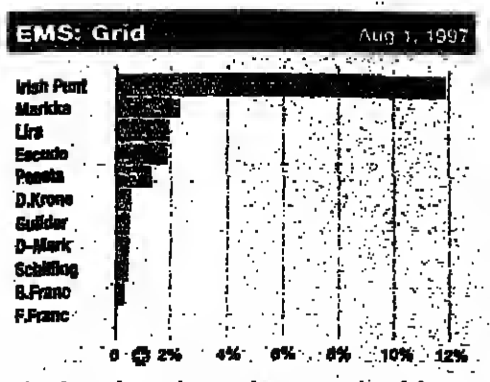
Nomura plans review: The disgraced Japanese securities house plans to restructure some overseas operations to improve competitiveness. It is to switch from organising its activities regionally to a single, global structure broken into product areas, says Nomura president Junichi Ujiie. Page 15

Mir commander confident: Anatoly Solovyov, commander of a relief crew for the Mir space station, was "absolutely sure" they would be able to restore power to the stricken Russian craft. He and a flight engineer will blast off for Mir tomorrow to relieve the crippled space station's tired crew. Important cables on Mir were severed in June after it was punctured by a cargo craft during docking.

Turkish wedding mayhem: A hand grenade worn by a reveller at a weekend wedding party in southeast Turkey exploded accidentally. Seven people were killed and 50 wounded by the blast and the ensuing panic. The bride and groom were unhurt.

European monetary system: The Irish punt firmed at the top of the EMS grid last week, and now stands 11.87 per cent above its central parity rate against the grid's weakest currency, the French franc. The order of currencies within the grid was unchanged, although the lira fell back to well within its unofficial 2.25 per cent fluctuation band. Interest rates in euro-zone, Page 2; Currencies, Page 21

EMS: Grid Aug 1, 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

IMF approves immediate standby credits as part of restructuring plan

Thai economic package agreed

By Ted Bardacke in Bangkok

Thailand and the International Monetary Fund agreed at the weekend on an economic restructuring package that includes an immediate offer by the IMF of standby credits, Thai officials said yesterday. The agreement is likely to provide an immediate boost to battered south-east Asian currencies.

Details of the package, including the amount of the standby credit facility, would be announced today, Mr Korn Dabbaransri, the deputy prime minister, said. Cabinet approval tomorrow was "a mere formality".

Mr Korn said the Thai government expected the IMF to approve the standby credit as soon as the Thai cabinet officially sanctioned the package. "That is part of the project," Mr Korn told the Financial Times.

Japanese banks, led by the Export-Import Bank of Japan, are expected to help finance the standby credits. Economists say Thailand could need $10bn to $20bn to help its liquidity position as it deals with the aftermath of last month's 20 per cent devaluation of its currency, the baht.

Thai financial authorities, led by Mr Thanong Bidaya, the finance minister, and IMF officials, led by Mr Hubert Neiss, the Asia-Pacific director, spent last week putting the package together. The speed with which it was completed is a sign that the Thai government agreed to almost everything the IMF recommended.

The package is expected to include tax increases, cuts in government spending, an end to utility price subsidies and an acceleration of plans to privatise state enterprises. Other measures may include a new plan to deal with troubled financial institutions and a time frame for the abolition of currency controls, instituted in mid-May to defend the baht against speculative attacks.

Nevertheless, analysts say the decision to seek funding from the IMF is more important than the actual measures contained in the package. Funding by the IMF, or at least the promise of it, is seen as a guarantee that the Thai government will follow through on promised measures. This would end worries about a possible balance of payments crisis in Thailand and provide support to currencies throughout the region.

Mr Chavalit Yongchaiyudh, the prime minister, met foreign bankers yesterday to outline the package. He asked them to be lenient with Thai corporations, which are reeling under the increasing costs of their $73bn in foreign debt.

If foreign banks rolled over much of that debt, the Thai government might elect to draw down little, if any, of the standby credits offered, a senior adviser to the prime minister said.

The country's foreign reserves remain healthy at more than $32.4bn, although they could drop dramatically when the Bank of Thailand closes out forward contracts bought to defend the currency over the past few months.

Mr Chavalit completed his day by meeting leaders of his six-party coalition to rally support for the package.

Economic Notebook, Page 6

Khatami is confirmed as Iran president

Mr Mohammad Khatami (right), was confirmed as Iran's new president yesterday at a ceremony in Tehran conducted by the nation's spiritual leader, Ayatollah Ali Khameini (centre).

Mr Khatami, 54, who won a landslide victory in May's presidential election, replaced Mr Hashemi Rafsanjani (left). He said he opposed "the high-handedness of certain big countries", an apparent reference to the US. But he added that Iran wanted peaceful relations with the rest of the world. Picture: AP

Russia set to sell shares in Norilsk Nickel

By John Thornhill in Moscow

The controversy surrounding Russia's privatisation programme looks set to intensify tomorrow when the government sells its 38 per cent shareholding in Norilsk Nickel, the world's biggest nickel producer.

Oneximbank, which is rapidly emerging as Russia's most powerful business group, seems almost certain to be the winner, having managed the government's shareholding for the past two years. Only one other, as yet unidentified, group has bid for the stake, which has an open market value of about $750m.

The fierce dispute over the latest round of asset sales has highlighted the government's difficulties in disentangling itself from its incestuous relations with big business. Last month's sale of a 25 per cent stake in Svyazinvest, the telecommunications holding company, to Oneximbank for $1.9bn prompted protest from the losing bidders.

The government has said it wants to establish new rules for privatisation sales. On a visit to the industrial town of Kirov at the weekend, Mr Boris Nemtsov, first deputy prime minister, promised: "There will be no more sales of state property on the cheap, no more privileged conditions for certain companies."

However, several Russian and foreign companies and opposition politicians have urged the government to call off the Norilsk Nickel sale because of the privileged position it will give Oneximbank.

Having acquired management rights over the government's Norilsk Nickel shareholding in November 1995, at the time of the Russian government's controversial shares-for-loans transactions, Oneximbank has gained intimate knowledge of the company's finances and operations. Moreover, one of Oneximbank's affiliate companies is organising the auction.

Trans-World Group, a British metals company, rival Russian businesses and opposition politicians have all lobbied President Boris Yeltsin to delay the sale. The procurator general said on Friday he would investigate the legality of the auction process.

Last week, Mr Gennady

Continued on Page 14

EU to require labels on genetically modified food

By Neil Buckley in Brussels

The European Union is preparing to introduce rules in November requiring consumer foods to carry special labels if they contain genetically modified maize or soya.

The move could have far-reaching effects because an estimated 60 per cent of processed foods contain soybeans or derivatives such as soya protein or oil. Many soybean imports into the EU now mix genetically modified and non-modified beans.

Officials are still working on how extensive the labelling requirements will be, and which derivatives will be covered.

Genetically modified maize developed by Novartis, the Swiss life sciences group, to resist the corn-borer pest, and soybeans developed by Monsanto, the US chemicals company, to resist weedkillers are two of the highest profile and most controversial biotechnology products. Both were licensed for sale in the EU last year by the European Commission after being declared safe by scientific experts.

But Austria, Luxembourg and Italy banned imports of the maize amid concerns over its safety, and consumer and environmental groups – as well as some retailers – have called for labelling to enable consumers to choose whether they want to eat foods containing the products.

The two products were originally excluded from EU rules requiring foods containing "live" genetically modified organisms to be labelled – the so-called Novel Foods regulation which came into force in May. "Live" gene-modified materials are those that could theoretically grow if planted.

But food safety representatives from the 15 member states late last week agreed unanimously that food products containing modified maize or soya should be subject to common labelling rules across the EU from November 1. The move was apparently motivated by fears that unilateral requirements being introduced by EU states could confuse consumers and distort the EU's single market.

Denmark, for example, has introduced labelling for all modified maize and soya products, while the Netherlands has made labelling compulsory for soya protein, but not oils.

The food safety experts, the so-called standing food committee, will work with the European Commission to determine the scope of the rules.

The moves will run in advance of plans announced last month by the European Commission to switch from its current patchy and piecemeal approach to gene labelling to a more comprehensive policy covering the whole food chain from farm to table. That would

Continued on Page 14
Warning on interest rates in euro-zone, Page 2

ITT bolsters bid defence with $150m Las Vegas hotel deal

By John Authers in New York

A 50 per cent stake in The Desert Inn, the luxury landmark on the Las Vegas strip made famous by the racketeer Bugsy Segal, has been sold by ITT, the US hotels and leisure conglomerate.

The $150m cash sale is the latest move by ITT in its campaign of asset sales to fend off a hostile $6.5bn bid by Hilton Hotels.

The buyer is Davis Gaming, owned by Mr Marvin Davis, the Los Angeles-based billionaire and corporate raider. ITT will also raise $100m from new debt issued by a joint venture between it and Davis Gaming. ITT said the deal would immediately enhance earnings.

It also includes a 34-acre plot next to the hotel. The joint venture partners will spend the next two years examining the feasibility of building a hotel and casino on the site.

The Desert Inn incurred a loss in the last quarter, but is undergoing a renovation that is due to be finished in October, just before the deal is planned to be completed.

Mr Davis, a former oilman and owner of Twentieth Century Fox who lit the 1980s with a series of aggressive bids for companies such as United Airlines and Northwest Airlines, said the aim of the venture was to create "the only five-star casino resort hotel in Las Vegas".

ITT will continue to manage The Desert Inn for the next 10 years through its Caesars World subsidiary, and has an option to extend the management contract for another 10 years. If a property is built next to The Desert Inn, ITT will manage it.

This extends the pattern for ITT to maintain the management of the hotels it has sold, following May's sale of five ITT Sheraton hotels to FelCor Suites Hotels for $200m, and suggests ITT sees its long-term future as a hotel management company.

ITT has already realised almost $2bn from sales of non-core assets since the Hilton bid was launched in January. Its aim is to deter Hilton from

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Kohl turns up heat in battle over tax

By Andrew Fisher in Frankfurt

German Chancellor Helmut Kohl yesterday sounded a powerful blast against the opposition for its tactics in blocking the government's tax reform package, accusing it of misusing the constitution for political ends.

He said the Social Democratic party, led by Mr Oskar Lafontaine, was preventing the creation of jobs by frustrating attempts to cut income and corporate tax rates. "The SPD is thus betraying the interests of the unemployed who are desperately seeking new jobs."

Mr Kohl's abrasive tone showed that the campaign for the September. 1998 general election was beginning in earnest. Mr Theo Waigel, the finance minister, also weighed in with sharp criticism of the SPD, saying the government would keep forcing it back to the negotiating table to reach a compromise.

The tax package foundered on SPD opposition in the Bundesrat (the upper house of parliament) where it has a majority. Its failure was the latest blow to a government which has seen its standing severely dented by persistently high unemployment.

The government had planned tax cuts worth some DM30bn ($16.3bn) from 1999, but last-ditch talks within the parliamentary conciliation committee failed to produce a compromise. Mr Lafontaine has argued that the tax cuts cannot be properly financed, while the government says they are essential to stimulate investment and jobs.

Both business and trade union leaders are angry at the failure of government and opposition to hammer out a deal on the tax proposals, which are also aimed st simplifying the complex system.

The conciliation committee will meet again in September. Mr Waigel said that if the tax reform did not take place in 1999, it would come into effect in 2000. A special parliamentary session will be held tomorrow to debate the collapse of the talks. Many politicians will return from holiday to attend.

Mr Kohl told the Welt am Sonntag newspaper that the SPD's parliamentary tactics were unprecedented in post-war German history. "Never has the Bundesrat been subordinated so unscrupulously to the power strivings of one party."

Mr Lafontaine countered that it was the government's own "erroneous policies" that had led to the highest unemployment since the second world war. It was the SPD's political duty to stop the government's "anti-social and non-financeable" tax programme.

In an attempt to increase dissension in the opposition, Mr Waigel said the government would put so much pressure on Mr Lafontaine that the "SPD matadors" – those in responsibla party positions – would finally ask themselves what the head of their party was playing at.

The SPD still has to choose its candidate for the alection. The choice is likely to be between Mr Lafontaine and Mr Gerhard Schröder, the state prime minister of Lower Saxony, who enjoys wider national popularity.

Mr Kohl has already said he will stand again as the candidate of his Christian Democratic party.

Warning on interest rates in euro-zone

By Wolfgang Münchau, Economics Correspondent

Interest rates in the future European economic and monetary union could be significantly higher than current national interest rates, according to Paribas, the French investment bank.

In an analysis of trends in US and German interest rates, Mr Paul Mortimer-Lee, chief capital market economist of Paribas, concludes that the bond markets are currently too optimistic about inflation and interest rates under Emu. If his analysis proves correct, voters in EU countries may associate Emu with high interest rates, which could damage the popularity of the single currency.

The view that interest rates could rise under Emu is also shared by several international currency strategists, but is not yet fully reflected in the prices of European bonds.

Mr Mortimer-Lee argues that the European central bank will try to establish credibility early on, after it becomes fully operational on January 1, 1999, the scheduled starting date for Emu. At present, expectations about the euro are relatively low. The foreign exchange markets has almost fully discounted that the euro, the future single currency, will be softer than the D-Mark because Emu is now expected to start with a much wider group of countries.

Germany's inflation rate over the last 10 years has averaged around 2.5 per cent.

"If the foreign exchange markets' fears about ECB policy are realised, the figure [for Emu inflation] would be much higher, which makes it all the more puzzling why some European bond markets have not suffered along with their currencies against the US dollar," said Mr Mortimer-Lee.

He based his calculations on historic comparisons of real interest rates – the level of rates after adjusting for future inflation – between the US and Germany.

Traditionally, real interest rates tended be lower in the US than in Germany or other EU countries. This is usually attributed to higher tax rates in Europe, concerns about public sector financing, pension liabilities and the status of the dollar as the main international reserve currency.

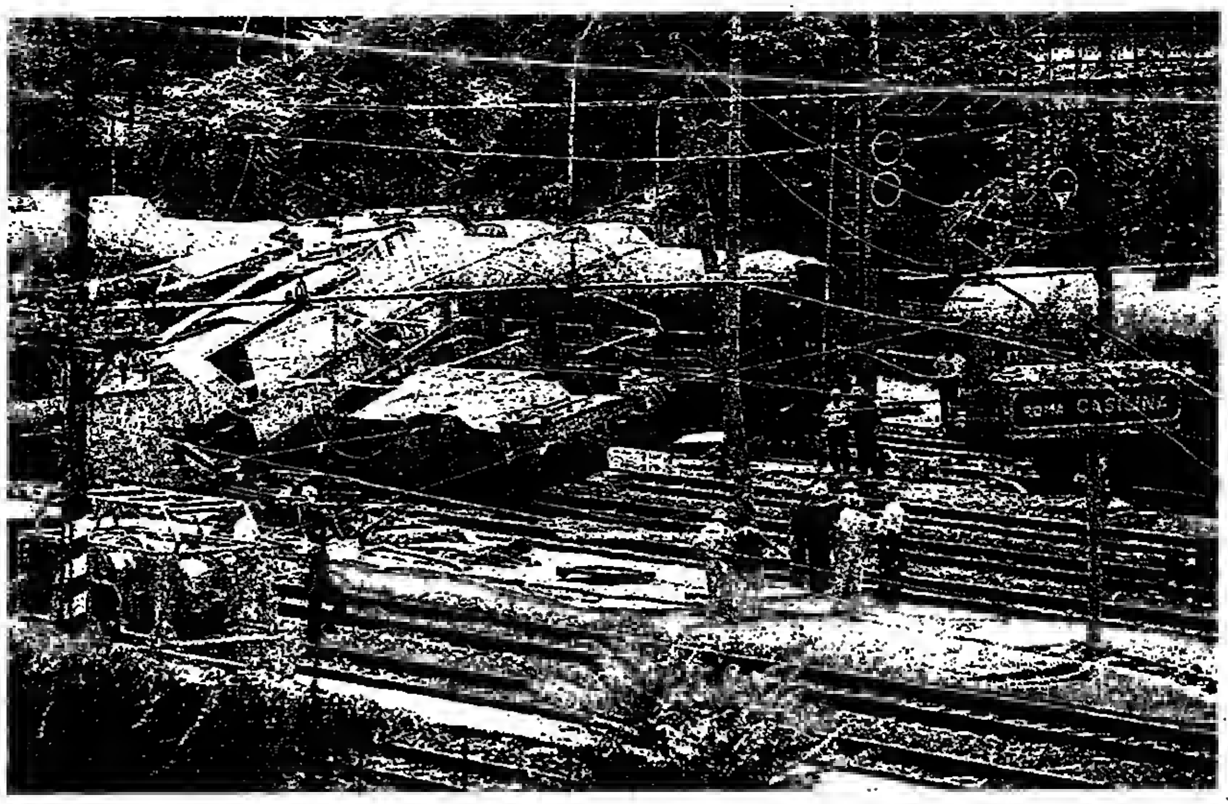
Historically, the real 3-month money market rate in the US was 2.5 per cent. His estimate is that under Emu real short-term rates would be between 2.75 and 3.25 per cent – a little higher than the historic levels of US rates.

With inflation under Emu estimated to fall in the range of 2 to 2.5 per cent, this suggests nominal interest rates of between 4.75 per cent and 5.75 per cent. This is significantly higher than the 4.25 per cent rate currently discounted in the forward markets.

If inflation under Emu were to exceed the 2 to 2.5 per cent range, the difference between current expectations and future reality could become extreme.

Mr Mortimer-Lee said the current market rate was "well below our lowest estimate and well below the levels which the ECB might have to impose in order to gain credibility in an increasingly sceptical market".

The Bundesbank recently hinted that it could raise short-term interest rates ahead of monetary union. German economists argued that one of the reasons in favour of higher interest rates is to smooth the transition to Emu, by taking some of the pressure off the ECB.



Rail accidents bring holiday chaos for Italy

Italy's rail backbone was broken in two yesterday after a train was derailed and a construction crane fell across tracks at Rome's Casilina station, AP reports from Rome.

The accidents (pictured above) forced tens of thousands of travellers to wait for hours in sweltering stations at points north and south.

Some railway officials cautiously predicted that rail traffic would return to normal today.

There was no official estimate of how many people were stranded.

Passengers on one of the holiday season's busiest weekends pushed their way on to buses, some of them lent by Rome's mass transit system, to be shuttled across the capital so that they could proceed with their journey

"It's been a day from hell," said Ms Alicia Guarniccio, a 21-year-old New Yorker trying to get from Paris to Naples.

Ms Guarniccio said her train pulled into Ostiense, a suburban stop, forcing her to take a bus to Termini, the capital's main rail terminus, in the hopes of finding a train to Naples, south of Rome.

But for most of the day, no trains were moving south or north through the capital. Even during the worst of Italy's train strikes some main lines do run.

Passengers yesterday willing to add hours to their journeys considered taking trains westward to catch Adriatic coastal, north-south routes.

UK public 'ignorant about EU'

By Lionel Barber in Brussels

Three in four people in Britain know little or nothing about the European Union, while only 2 per cent think they are well-informed, according to a report published today by Demos, the UK think-tank.

The Euro-information gap is startling because one-third of all UK legislation and 70 per cent of business legislation is decided in Brussels. The UK civil service says up to 30 per cent of its time is taken up with EU matters, the study says.

The Demos report argues that the best means of plugging the divide between the public and the decision makers is through the creation of pan-European parties.

"Although national politicians and parties continue to think, talk and act in exclusively national terms, power has long since moved beyond national boundaries," says Mr Mark Leonard, the author.

The analysis is broadly shared elsewhere in Europe, notably among the centre-right European Peoples Party where the German Christian Democrats have been assiduously cultivating links with sister parties in western and eastern Europe.

The European Socialist parties, which control the majority of EU governments, have also developed a pan-European movement. But as the recent congress in Malmo, Sweden, showed, big differences exist between the pro-business Labour party in Britain and more traditional socialist parties in France and Germany.

The Demos report rejects an EU "roll-back" strategy favoured by elements of the UK Conservstive party to return powers to nation states. "In practice, there are too many areas of social and economic life which are transnational for this to be practical, and in any case, the economic and political benefits of EU membership are overwhelming."

The report is cool on the idea of extending the powers of the European Parliament which it says has still to establish itself as an effective channel between citizens and decision makers. On the other hand, creation of strong multinational European parties would help to match European courts, administration and parlisment.

Westendorp intensifies pressure on Bosnia

The international community faces an important test of its will to make Bosnia's peace process work this week as it contemplates fresh penalties against the Bosnian government for failing to agree joint laws, AFP reports from Sarajevo.

The senior international representstive in Bosnia, Mr Carlos Westendorp, recommended last Saturday that foreign governments suspend recognition of all Bosnia's ambassadors because of the failure of Moslem, Serb and Croat leaders to agree on a common ambassadors list by Friday night.

Mr Westendorp wants fresh sanctions if the weak central government fails to agree common citizenship and passport laws today.

All three laws should have been agreed by last Friday under deadlines announced in May by the Peace Implementation Council (Pic), composed of nations involved in the Bosnian peace process.

Amid exasperation at the slowness of this process, the Pic met in May in Sintra, Portugal, and gave Bosnia's divided post-war leaders a checklist of laws to be passed, with deadlines set and the threat of penalties for any failures. The three broken deadlines sre the first test of the Sintra plan.

Mr Westendorp chose on Saturday to be tough on the question of ambassadors, but to give Bosnia one more chance to meet the other Friday deadlines, for passports and citizenship, through the novel idea of freezing time.

Fresh sanctions will be sought if the weak central government fails to agree common laws today

"We are going to take this as if we stopped the watch, and it [today] is the first of August," he said. "If I didn't stop the watch, then it would be the fourth of August."

But fail today, he said, and he will unveil a new set of recommended punishments.

Recent weeks have seen the first hint in two years of tough international action in Bosnia. On July 10 crack Nato troops swooped on two Bosnian Serb war crimes suspects. Last week the UK Foreign Secretary, Mr Robin Cook, demanded and secured a promise from the Bosnian authorities to investigate their murky public accounting practices.

The problem, however, is that if any one Bosnian group blocks progress, all must be punished.

On Friday, Haris Silajdzic, a Moslem and co-chairman of the governing Council of Ministers, complained that Croats and Moslems would suffer because the Serbs refused on Friday to attend a meeting to resolve citizenship and passport laws.

Diplomats in Sarajevo say the more fundamental problem is that the nationalist leaderships claiming to represent Bosnia's three ethnic groups disagree about the kind of country they want to live in. The Serb leaders argue for a separate Serb citizenship. The Croat leaders, who already have some citizenship and voting rights in neighbouring Croatia, are more flexible, while Moslem leaders insist on one Bosnian citizenship.

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Netanyahu warns over peace process

Israeli police frisk a young Palestinian yesterday Reuter

By Avi Machlis in Jerusalem and Bruce Clarke in Washington

Mr Benjamin Netanyahu, the Israeli prime minister, said yesterday his country was bracing itself for further bomb attacks and told Palestinian leaders that the future of the peace process depended on them.

"The whole peace is at stake," he told CBS TV. Mr Yassir Arafat, the Palestinian leader, must "make a choice" between co-operation with the fight against terrorism or letting the peace process collapse, he added.

"Fight terrorism in order to have peace or do the contrary and we won't have peace," the prime minister said, insisting that his government had fulfilled its obligations to keep the process going.

As tensions mounted over the weekend, Palestinian officials said the Arab league had agreed to convene a special session in Cairo tomorrow to discuss the Middle East peace crisis.

Mr David Levy, Israel's foreign minister, will also travel to Cairo tomorrow to discuss the crisis with Mr Amr Moussa, Egypt's foreign minister.

Meanwhile, Israel and the Palestinians were preparing for the arrival of Mr Dennis Ross, US Middle East peace envoy, expected in the region after the seven-day mourning period in Israel for 13 victims of last week's suicide bombing. But the anticipated US mediation effort appeared to deepen tha rift between the sides.

Israeli officials said they expected Mr Ross to press the Palestinians to crack down on terror groups.

But Mrs Hanan Ashrawi, Palestinian minister of higher education, said if the US would not address Israel's settlement policies, "there certainly is no reason for them to come".

The US is also considering Israel's demands to step up economic pressure on the Palestinians, a move that Palestinians say would jeopardise its position as mediator.

Israel yesterday continued arrests of Palestinians. Since the bombing last week, Israel has arrested 116 Palestinians suspected of involvement in radical Islamist groups. Israel also tightened security throughout the country in anticipation of more bombings.

A leaflet from Hamas, the Islamic resistance movement, which claimed responsibility for last week's bombing, set an ultimatum to Israel to free all Palestinian political prisoners by 9pm last night.

Israel is still unsure whether the leaflet is genuine.

As Israel continued to press Mr Arafat, the embattled Palestinian leader faced mounting domestic pressure to clean up corruption in his self-rule government.

At the weekend, 16 of 18 Palestinian cabinet ministers submitted a letter of resignation to Mr Arafat following an audit of PA finances found that $326m in Palestinian public funds had disappeared last year.

INTERNATIONAL NEWS DIGEST

Hun Sen poll pledge to Asean

Foreign ministers from the Association of South East Asian Nations (Asean) met Mr Hun Sen, who led last month's coup in Cambodia, at the weekend to discuss s peace plan for the troubled country.

The Asean delegation and Mr Hun Sen, who ousted Prince Norodom Ranariddh, his coalition partner, in s bloody putsch, agreed that the coalition must remain in place and new elections be held as promised in May 1998. Mr Hun Sen also called for United Nations and international assistance in organising those elections.

But problems remain over the fate of Prince Ranariddh and several high-profile members of his royalist party, including leading military officials. Asean wants guarantees they can return to Cambodia and participate freely in the elections. Mr Hun Sen says their return would create instability and has insisted that should Prince Ranariddh return, he face trial for attempting to negotiate an alliance with remaining Khmer Rouge rebels. *Ted Bardacke, Bangkok*

■ VIETNAM'S LAST EMPEROR

Bao Dai 'spurned communism'

Hanoi yesterday described Vietnam's last emperor, Bao Dai, as turning his back on the nascent communist state.

In a statement issued three days after Bao Dai died in exile in Paris at tha age of 83, the foreign ministry said he had abandoned his post as "adviser" to the Vietnamese government of Ho Chi Minh formed in 1945. "It is regrettable that not long afterwards, Bao Dai did not respond to this great wish," said the statement.

Known for his fondness of hunting and women, the emperor was considered by most as a puppet of his colonial French masters. He formally abdicated in August 1945 after Ho Chi Minh declared the Republic of Vietnam, and was for a time "supreme adviser" in the Ho Chi Minh government before withdrawing to Hong Kong.

He returned to Vietnam in 1949 and proclaimed an anti-communist state under French protection, serving briefly as monarch. After the French defeat at Dien Bien Phu in 1954, he was deposed in April 1955.

A French foreign ministry official described Bao Dai as "a sincere friend of France, profoundly steeped in French culture", and added that He had been caught up in "Vietnam's destiny during a difficult period of its history". *AFP, Hanoi*

■ ROMANIAN FLOODS

Rain brings landslide fears

Rivers swollen by days of rain have flooded several towns and villages in Romania's county of Prahova, damaging scores of homes, disrupting traffic and threatening landslides, s Romanian official said yesterday.

The floods have submerged some 1,000 homes in the town of Breaza, 160km north of Bucharest, as well as dozens of houses in villages across the county. No casualties were reported, he said.

Rains have also disrupted road and railway traffic between the cities of Ploiesti and Brasov. In the Prahova village of Bertea a landslide threatened to destroy 20 houses, according to the Rompres state news agency.

Weather forecasters expected the heavy rains to continue over the next 24 hours. *Reuter, Bucharest*

■ CASPIAN OIL

Lukoil ends Azerbaijan deal

Lukoil, the Russian oil company, said at the weekend it would pull out of a recent billion-dollar oil agreement with Azerbaijan in the Caspian Sea. The Baku government expressed regret over the decision.

The scrapping of the deal came as the result of pressure by Turkmenistan, which claimed the Caspian oilfield involved was its own, not Azerbaijan's.

The field, which Azerbaijan calls Kyapaz and Turkmenistan calls Serdar, is east of Baku, at the edge of Azerbaijan's zone in the Caspian Sea, and has estimated crude reserves of 50m tonnes.

Lukoil, along with Russian oil company Rosneft, signed a deal with Socar, Azerbaijan's state oil company, to develop the field on July 4. Rosneft announced it would pull out of the deal on Thursday.

Azerbaijan had repeatedly offered Turkmenistan the possibility of jointly developing the field, Azerbaijani Prime Minister Artur Rasizade said on television.

He voiced hope the question over the field would be settled at talks between Azerbaijani President Geidar Aliev and his Turkmen counterpart Saparmurat Niyazov, the Itar-Tass news agency reported. *AP, Moscow*

■ ALBANIA

More French soldiers leave

Some 360 French soldiers and 116 military vehicles left the Albanian port of Durres yesterday for Toulon. It was the second contingent to leave from the 1,000-strong French contribution to the multinational force that arrived in Albania in April and will leave by August 12.

Although the force was deployed to secure aid and then to secure observers and the conduct of June 29 elections, it did nothing to recover the hundreds of thousands of guns ransacked from state armories when authority collapsed in Albania in March.

Gang and family feuds and accidents with arms are still causing dozens of deaths each week. Five people were killed overnight in the Tirana region, the interior ministry said. *AP-DJ, Tirana*

■ NIGERIA

Leading singer dies of Aids

Nigeria's maverick musician Fela Anikulapo-Kuti, who popularised the Afro-music beat globally, has died of Aids, his elder brother said yesterday.

The singer, composer and saxophonist, who was 58 and known to his fans simply as Fela, died on Saturday after several weeks of illness.

Hundreds of people gathered at The Shrine, Fela's home and club in the Ikeja working class district of Lagos, the commercial capital, to mourn their idol. *Reuter, Lagos*

■ ENVIRONMENTAL ACTION

Greenpeace oil protest

Greenpeace activists yesterday plunged into the Atlantic in an sttempt to halt oil exploration which they say is destroying the environment.

The environmental pressure group said four swimmers dived into the sea in a successful attempt to force three seismic testing ships to alter their course during test runs.

The direct action, a trademark of Greenpeace's campaigns, took place 192km from Rockall, a tiny barren island around 450km west of the north-west coast of Scotland, and was aimed at three Norwegian-run seismic testing ships.

A Greenpeace campaigner speaking from the MVS Greenpeace that despatched the swimmers into the Atlantic, said: "Oil has had its day. We have more than enough reserves in the world already." *Reuter, London*

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NEWS: THE AMERICAS

Ex-UN chief 'was bugged in Peru poll'

By Sally Bowen in Peru

Peru's Frecuencia Latina, the country's influential second TV channel, yesterday added to the pressure on President Alberto Fujimori's administration with further damaging details of telephone espionage hy the authorities.

The channel said there was a campaign to record

Perez de Cuéllar: over 1,000 phone conversations of the former UN chief said to have been recorded in his candidacy for the presidency

the conversations of Mr Javier Perez de Cuéllar, former United Nations secretary-general, during the nine months of his candidacy for the presidency in 1994-95. It said more than 1,000 calls made hy Mr Perez de Cuéllar, his private secretary, his wife and maid were recorded and transcribed under "Project 87", presumably orchestrated by Peru's powerful intelligence services.

The report will provoke further questioning of President Fujimori's key allies in the armed forces and intelligence services, the only institutions in Peru with the sophisticated equipment and manpower to undertake such large scale espionage.

The disclosures come just as a weekend opinion poll ahowed that last Monday's state of the nation address had helped Mr Fujimori to win back some 10 points of his recently lost popularity.

Frecuencia Latina investigations have done much to contribute to Mr Fujimori's plummeting approval ratings in the past three months.

It broke the news of the torture and murder of two female intelligence aervice agents and leaked tax returns showing the fabulous earnings of Mr Vladimiro Montesinos, the president'a chief security adviser.

In a swift reprisal hy the government authorities, Mr Baruch Ivcher, the Israeli-born chief shareholder of tha channel, was stripped of the Peruvian nationality he acquired in 1984.

Late on Friday a judge ruled in favour of a motion hy minority shareholders – presnmed to he more friendly towards the Fujimori regime – to remove Mr Ivcher, now a foreigner, from the presidency of the board and assume control of the channel themselves.

The ruling has still to be ratified hy a higher court.

The official government line, repeated at the weekend by the new president of Peru's congress, Mr Carlos Torres y Torres Lara, is that the affair is a mere squabble between shareholders which will be impartially resolved hy Peru's judiciary.

Mr Ivcher and his team of journalists – and most independent observers in Peru – consider it a clear case of political persecution which jeopardises press freedom and media independence.

A spokesman for Mr Perez De Cuéllar's UPP party, the largest opposition group in Peru, said it would initiate formal legal proceedings today against the ruling government alliance for the telephone espionage.

Clinton sets Republicans squabbling

Nomination of William Weld, a liberal, as the US ambassador to Mexico, has upset Jesse Helms

On the face of things, US President Bill Clinton was making a bold, statesmanlike gesture when he chose a prominent liberal Republican for ona of the most sensitive posts in US foreign policy, that of ambassador to Mexico.

If that really was Mr Clinton's intention, it has gone badly awry – following the flat refusal of Senator Jesse Helms, the arch-conservative who controls the Senate Foreign Relations Committee, even to consider confirming his fellow Repuhlican Mr William Wald as envoy to Mexico City.

But in the cynical world of Washington politics, few people take things at face value. Far from being a setback to Mr Clinton, the inter-Republican squahbles which Mr Weld's nomination has triggered are being described by Capitol Hill insiders as a "win-win" situation for tha president.

Mr Weld has astonished Washington ohservers, and dismayed mainstream Republicans, with the confident, pugnacious spirit in which he is fighting hack against the hlocking tactics of Senator Helms.

After stepping down from the governorship of Massachusetts in order to concentrate on the battle, he came to Washington last week with a declaration of ideological war against the conservative wing of his own party.

"It could be a land war, it could he an air war," he quipped as he began a round of calls on Washington's power-brokers. He also cheerfully made it known he was hrushing up his already decent knowledge of Spanish – a claim of linguistic prowess met by sceptical guffaws in Mexico City.

The prospect of a prolonged slanging match over one of America's trickiest relationships – in which congressional input and bipartisan co-operation is particularly important – is a depressing one for the foreign policy establishment.

"Mexico is simply too important to play political games over," said Ms Delal Baer, a senior scholar at the Centre for Strategic and International Studies. "The US still pays less attention to Mexico tban it does to Bosnia – but in terms of US national interests, that's the wrong priority."

Congress, suspecting a lack of zeal in Mexico's fight against cocaine cartels, threatened to strike Mexico off the list of countries the US classes as allies in the anti-drug war.

Only delicate lobhying by the White House succeeded in averting this move, which would have blocked Mexico's access to soft loans and triggered a crisis in relations.

But there is nothing delicate about the war of words that has been unleashed by Senator Helms' rejection of Mr Weld as unfit to serve, on grounds that his support for the medicinal use of marijuana marks him out as soft on drugs.

So far, the only clear beneficiary of the row has been the White House.

Until recently, the President was reaping a political windfall from rowdy infighting among the House Republicans – but he still had to contend with a well-organised and well-disciplined Republican majority in the Senate.

This could now change. Senator Trent Lott, tbe majority leader and an accomplished compromise broker, has expressed open irritation with Mr Weld's combative approach, suggesting he should "look for other work" rather than pick inter-party fights.

While Senator Helms is notoriously sharp-tongued, he has generally maintained a dignified silence over Mr Weld, once his fundamental ohjections had been laid out.

By showing an uncharacteristic reluctance to engage in verbal batiles, the North Carolina Republican – best known to the world as the scourge of Cuba, China and international organisations that fail to reflect US interests – has artfully confirmed the impression that Mr Weld is over-reacting.

Whether anybody likes it or not, Senator Helms' chairmanship of the Foreign Relstions Committee gives him the power to hlock any State Department nomination, by refusing to hold a hearing. This, and the fact that he speaks for an important part of the grass-roots Republican electorate, have made botb the Clinton administration, and Republican leadership, tread cautiously in dealing with the outspoken backwoodsman.

The puzzling question, for political observers, is why Mr Weld has been quite so incautious. One theory holds that he is not so much interested in going to Mexico as in making himself a political martyr to the far right – with a view to attracting publicity and positioning himself for the next presidential race.

Mr Clinton has pledged, somewhat half-heartedly, to defend his nominee – although most Washington insiders think the president's interests are best served by a long, messy squabble.

Mexicans, meanwhile, are waiting with wry amusement for a nomination fight in which the motives of every side are open to question. They are sophisticated observers of their northern neighbour, and quite familiar with hidden agendas.

Leslie Crawford, Bruce Clark and Victoria Griffiths

Weld meeting Clinton recently in a hid to save his nomination as ambassador to Mexico City. Inset: Helms

EX-GOVERNOR LOOKING FOR A BROADER ARENA

Critics of Mr William Weld try to hrand him as the epitome of an old, patrician elite which, rather like its British prototype, retains the illusion of effortless superiority hnt has lost most of its grip on power, write Victoria Griffiths and Leslie Crawford.

Bnt nobody could accnse the ex-governor of Massachnsetts, a graduate of Harvard and Oxford, of having a stiff npper lip. On the contrary, his personal style is decidedly flamhoyant.

In his unsuccessful run for the US Senate last year, he celebrated the environmental clean-up of the Charles river hy taking a running dive, fully clothed, into the water. When a blizzard hit Massachnsetts three years ago, Mr Weld had a typically tart reply for a reporter who hinted at official negligence and asked where the governor had been: he had been out enjoying the storm.

In the left-of-centre political climate of the US north-east, Mr Weld's espousal of liberal causes, inclnding homosexual and abortion rights, and his personal panache seem to be a winning combination. Ha remains highly popular in his home state, and he would have little difficulty winning a third term as governor if he wanted one.

Bnt he is clearly hankering for a broader political arena. In the words of Mr David Brudnoy, a political commentator, Mr Weld has become "bored ont of his mind" hy the local affairs of his home state.

Bnt the heavily Democratic voters of Massachusetts appear to be less enthusiastic abont sending Mr Weld to Washington than they are about his management of their own affairs. In last year's Senate race, they opted for Mr John Kerry, the Democratic candidate – apparently calculating that once he arrived on Capitol Hill, Mr Weld would be forced to behave as a Repnhlican first and a liberal second.

In Mexico, where Mr Angel Guria, foreign minister, has warmly welcomed Mr Weld's nomination, officials will be less concerned hy his personal style than bis record in law enforcement – which, to jndge by the curricnlum vitae he has posted on the Internet, is quite impressive.

He claims that, as Massachnsetts attorney-general in the early 1980s, he won 109 out of 111 cases involving corruption and money-laundering by organised crime interests in Boston.

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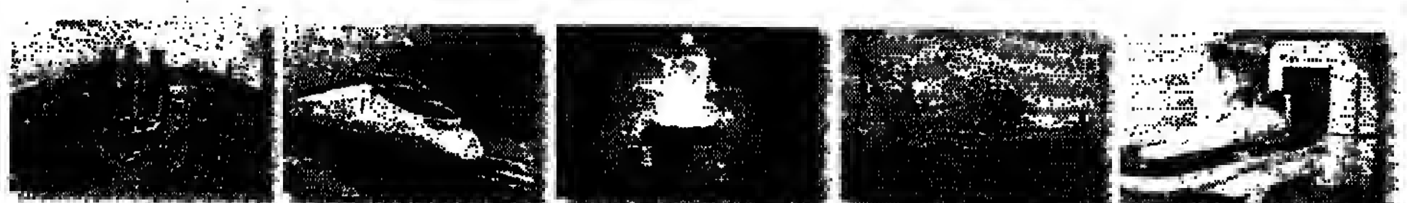

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Central bank in crackdown to protect currency and bring down interest rates

Malaysia acts over ringgit speculation

By James Kynge in Kuala Lumpur

Malaysia's central bank, which lost about M$8.8bn (US$3.3bn) fighting currency speculators in the first half of July, signalled yesterday that it was taking administrative measures to protect its currency and bring down domestic interest rates.

The measures, which are to take effect from today, amount to an attempt virtually to shut down the offshore ringgit swap market.

Bank Negara, the central bank, said the moves were aimed at "promoting an environment that is stable and more predictable for genuine investments".

Local banks are to be banned from lending more than US$2m worth of ringgit to foreign customers other than those who need the currency for genuine commercial reasons.

Such reasons included currency hedging requirements, trade needs and portfolio or direct investments, the central bank said.

Foreign currency speculators who have sold the ringgit short – sold ringgit they do not have in the hope of buying back the currency at a lower price at a later date – may now find it difficult to obtain the Malaysian currency and therefore refrain from dealing in it.

Observers, however, questioned the ability of Malaysian authorities to monitor how ringgit lent offshore is used.

This might be particularly tricky when tracing funds lent for portfolio investments, they said.

Overall though, the measures could have the short-term effect of bolstering the ringgit, which has fallen 4 per cent against the US dollar since early July.

The restrictions may also reduce the demand for ringgit in domestic money markets, thereby bringing down short-term interest rates.

Economists have warned that recent months of high interest rates have taken their toll on Malaysian growth by reducing lending to industry and depressing a local stock market which has for years been the main source of investment finance.

The ringgit's decline, which was precipitated mainly by the Thai baht's de facto devaluation on July 2, has also incurred the ire of Dr Mahathir Mohamad, the prime minister. Last month he accused "rogue speculators" in general, and Mr George Soros, the US financier, in particular, of attacking the currencies of south-east Asian nations. Mr Soros has denied the accusations.

Economists said that Bank Negara might have felt obliged to impose the selective capital controls because it no longer felt able to repulse a speculative attack lasting more than a few days.

After the M$8.8bn loss, it now has M$61.9bn in foreign reserves, or just over 3½ months of import cover.

Kenya braced for new assault on currency

Kenya's currency is expected to take another beating this week as the markets register the full implications of the International Monetary Fund's suspension of its aid programme and the opposition steps up its campaign to force constitutional changes on President Daniel arap Moi.

The shilling, which closed on Friday at 61 to the dollar, touched 65 again on Saturday as importers rushed to buy foreign currency.

Analysts predicted that the currency, which sank last week after the IMF deal collapsed over the government's failure to tackle corruption, would come under renewed pressure once trading resumed and investors would continue pulling out of the stock exchange and bond market.

"On Friday information about the suspension was only just filtering through to the market.

"A lot of players were unaware of what had happened. We can expect a bigger impact this week," said a broker.

Many commentators also speculated that government heads could roll in what a local newspaper labelled "a crucial week", as Mr Moi chose between a pro-reform group within government calling for the swift resumption of dialogue with the IMF and hardliners urging him not to take orders from the west.

"There is a very poisonous atmosphere at the moment," said a senior government source.

"I wouldn't be surprised if there were some top-level departures," he added.

The media highlighted the bitter row raging between the Kenya Revenue Authority (KRA) and the president's office over the removal of the country's top customs official, the issue that prompted the collapse of the IMF programme.

Supposedly independent, the KRA is refusing to ratify the transfer of Mr Samuel Chebii, regarded by the business community as playing a key role in cleaning up corruption in revenue collection, on the grounds the decision was taken without its involvement and therefore illegal.

The Daily Nation published the contents of a letter sent to the KRA by Mr Fares Kuindwa, head of the civil service.

The official, who originally suspended Mr Chebii, ordered the KRA to apologise in writing and withdraw a decision he said defied the president's authority.

Western officials said the clash, which highlights the way in which presidential prerogatives are being challenged by the IMF-backed economic reform programme, damaged the credibility of an independent anti-corruption authority the Kenyan government has promised to create.

"If the KRA, which is supposedly autonomous, can be bypassed at the drop of a hat, then why should anyone believe the same won't happen with the anti-corruption authority?" said a diplomat. "It risks becoming just another paper tiger."

The political and financial nervousness is bound to be exploited by civic groups, opposition and religious leaders who have called for a general strike on Friday.

They are pressing for the redrafting of a constitution and legislation that gives Mr Moi inbuilt advantages in forthcoming elections.

Over the weekend campaigners rejected a bill published by Mr Amos Wako, the attorney-general, listing a range of amendments for parliamentary debate.

The bill makes it easier for the opposition to stage public meetings and harder for suspects to be accused of sedition.

However, a wide range of other opposition demands are ignored.

Michela Wrong

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Turmoil in Karachi threatens reforms

Violence in Pakistan's business capital could hold back economic revival, writes **Farhan Bokhari**

Mr Ikram Sehgal risks losing friends following a recent surge of violence in Karachi, Pakistan's southern port city and business capital. As chief executive of Security and Management Services (SMS), a prominent private security company, he is once again inundated with requests to sign contracts for serving new clients.

But many prospective customers, including some of Mr Sehgal's friends, are being turned away. Under growing pressure from clients, SMS has made a decision only to accept contracts for corporate and other offices, while denying services at homes. There are not enough guards to meet the demand. Mr Sehgal estimates that Karachi's 85 security companies, which run a network of about 25,000 guards, will have to raise their strength by roughly 20 per cent in the coming months. Pressure on SMS is among the most visible signs of growing security fears.

More than 200 people have died in ethnically motivated armed attacks across Karachi this year. Only yesterday four people, including a three-year-old girl, were killed in shooting incidents. Government officials say the violence is mainly tit-for-tat killings between militants of the Mohajir Qaumi Movement (MQM) political party and its breakaway faction known as "Haqiqi". The two groups are fighting to gain control of the city and become the sole representative of its Urdu-speaking population, estimated at around 7.5m.

The MQM has fought successive Pakistani governments during the past decade, demanding rights such as special job quotas for its Urdu-speaking constituents, who either migrated from India 50 years ago or descend from families who did so. Now, the violent split within the group has once again made Karachi the scene of bloody violence which is estimated to have claimed more than 2,000 lives during the past two to three years.

For Mr Nawaz Sharif, the prime minister, the recent bloodshed is one of his most difficult political challenges. Critics charge that his failure to curb the violence has created fresh anxiety over his government's ability to manage the country.

Damaging for Mr Sharif is an emerging recognition of the record of Ms Benazir Bhutto, the opposition leader, in tackling the violence. Before she was dismissed as prime minister, Ms Bhutto brought a temporary calm to Karachi after a large-scale security crackdown last November.

The economic consequences of the security situation promise to be severe. Mr Sharif's new reforms, announced during the last three months, depend on an upturn in revenue collections.

The International Monetary Fund is expected to approve a three-year, $1.6bn loan for Pakistan in September or October. The loan is crucial for Pakistan to restore its battered international credibility and to secure new commercial loans to continue with its foreign debt repayments.

Yet the success of the loan will depend on Pakistan's ability to demonstrate that the budget deficit, estimated to be no more than 5 per cent of the gross domestic product in the next 12 months, will not overshoot the target once again.

Turmoil in Karachi could cause a shortfall in revenues and make it difficult for Pakistan to meet the Fund's targets, businessmen say. Mr Mian Muhammad Mansha, an industrialist and president of the private Muslim Commercial Bank, says: "Resolving the situation in Karachi is one of the basic prerequisites for the success of economic reforms."

He estimates that up to a quarter of tax revenues are generated from Karachi, and could suffer if security conditions deteriorate. Other businessmen say government hopes of securing large new investments may be hampered if the violence continues. The recent assassination of Mr Shahid Hamid, managing director of Karachi's Electricity Supply Corporation, last month, has intensified the fears of many leading businessmen for their personal security.

Some analysts say that the only option now is to launch another crackdown. In early July, the government was believed to have detained up to 300 hardcore militants, but businessmen said that this was just the tip of the iceberg.

A crackdown could jeopardise the coalition government in Sindh province, of which Karachi is the capital. Mr Sharif's Pakistan Moslem League (PML) rules Sindh in partnership with the MQM.

However, Mr Sehgal of SMS wants the government to hold immediate municipal elections, as a step towards resolving deteriorating living conditions. Karachi is believed to have one of Pakistan's fastest-growing slum areas, while drug addiction and unemployment are on the rise. Many disgruntled young men are easy targets for recruitment in to militant gangs.

The local municipal corporation was banished almost five years ago, when security conditions began worsening. Since then, successive governments have talked about fresh elections, but none has actually done so. "Instead of leadership from the grassroots going to 15-year-olds carrying guns, it should be given back to the people," says Mr Sehgal. Restoration of peace may help Mr Sehgal to win back some of his annoyed friends.

A policeman examines a burned-out car after a day of violence in Karachi yesterday AP

NTT in Sri Lanka telecoms deal

By Amal Jayasinghe in Colombo

Sri Lanka has agreed to sell a 35 per cent stake in its telecommunications company to Japan's NTT for $225m, making it the island's largest single privatisation deal, officials said yesterday.

Japan's Nippon Telegraph and Telephone Corp (NTT) beat France Telecom to take up the equity together with control over management of Sri Lanka Telecom for an undisclosed period, officials said.

An agreement is to be signed between the government and NTT on the new partnership tomorrow, a telecoms official said, adding that the Japanese company expected to send managers and engineers to Colombo shortly.

NTT aims to make its involvement in Sri Lanka the first major step for expanding its operations in south Asia, officials said.

The telecoms deal, already delayed by nine months, will be Sri Lanka's largest single privatisation and compares with the previous record of $37m paid by the Anglo-Dutch firm Shell for a 51 per cent slice in the country's gas distribution monopoly.

Telecom officials said there were six bidders initially to buy the 35 per cent stake in Sri Lanka Telecom (SLT), but only two companies – NTT and France Telecom – were shortlisted.

However, France Telecom had not shown much interest because of its commitments in Europe, official sources said.

The government had expected revenues of $420m from privatisation last year, most of it coming from the sale of Sri Lanka Telecom, which employs 7,800 workers, and the national airline, AirLanka. Ultimately, revenues fell far short of that target.

AirLanka, which should have been sold by the middle of last year, has now been advertised, but no buyer has been agreed yet.

Japan's economy takes a turn for the worse

By Gwen Robinson in Tokyo

Japan's economy has taken a turn for the worse, reinforced by weaker than expected June data published last week including industrial output, construction orders, retail sales and employment.

On Friday, news that July vehicle sales fell by an annual 10.1 per cent, and passenger cars sales by 11.4 per cent, provided fresh evidence that consumer sentiment has not yet recovered from the April 1 sales tax increase from 3 to 5 per cent. In response, shares of leading carmakers plunged on the Tokyo stock market.

The poor vehicle data point to a broader concern: the marked inventory build-up among manufacturers contained in the June industrial production data. Overall output fell a monthly 3.1 per cent, exceeding the official prediction of a 2.6 per cent decline.

At the same time, the inventory-to-shipments ratio – the lead indicator of production – soared to 117.6 in June from 107.9 in the first quarter. Any reading over 110 is considered to show excessive inventories.

"This is a genuine cause of concern," said Mr Richard Jerram, economist at ING Barings. "The implication is companies have still not recognised just how weak domestic demand has become in the new fiscal year (from April), with consumers hit by higher taxes and construction activity hit by public spending cuts."

Economists warn that continued growth of inventories raises the prospect of a classic recessionary cycle, as manufacturers cut output and overtime production in order to reduce stocks, which then hits final demand and further damps economic growth.

In announcing June output, the ministry of international trade and industry forecast a 1.3 per cent rise in July and a 0.5 per cent decline in August.

"Assuming a flat September, the quarterly pattern reveals that growth in manufacturing activity has almost ceased in mid-1997, while the third quarter outlook confirms the recent Bank of Japan's prognosis of 'little acceleration' in economic activity," said Mr Michael Hartnett, economist at Merrill Lynch.

The expected slowdown is likely to be most pronounced in the vehicle manufacturing sector, which officially accounts for 11 per cent of Japan's industrial production but has a significant knock-on effect on basic materials sectors. As the poor July vehicle sales suggest, excess supply or overproduction is most prevalent in this sector.

The level of vehicle inventories has surged nearly 40 per cent in four months. "Destocking seems inevitable. But as auto sales remain poor, this will entail production cuts, and growth in vehicle output could turn negative in annual terms by October," said Mr Hartnett. In light of rising trade tensions with the US, it is unlikely that Japan can boost exports to cut back its excess vehicle inventory.

With almost every economic sector showing weak or negative growth, Japan's markets will watch for the Economic Planning Agency's monthly outlook report for July. In stark contrast to the Bank of Japan's recent lukewarm economic prognosis, the EPA in its last few reports has taken a distinctly bullish stance on the economy.

The agency's June report said the economy had all but shaken off the negative effects of the April sales tax increase and was close to achieving a "self-sustaining recovery".

The pronouncement caused some confusion, coming in the same week that central bank officials gave an almost opposing view of Japan's economic prospects.

Economists are now waiting to see whether the EPA recants in light of the recent weak economic data.

Japan's finance ministry is likely to delay the abolition of fixed commissions on securities transactions by about 18 months, Gwen Robinson writes.

The liberalisation of stockbroking commissions, which has been bitterly opposed by Japanese securities houses, is a centrepiece of the government's "big bang" programme of financial deregulation.

Some securities houses derive as much as 40 per cent of their income from commissions on stock transactions. Currently, brokers set commissions on a sliding scale which is negligible for stock trades worth Y1bn ($8.5m) or more, but adds to trading costs for transactions worth anything less.

In a tentative timetable for big bang reforms announced in June, the finance ministry proposed liberalising commissions as early as next spring, to coincide with the lifting of foreign exchange controls. Deregulation of foreign exchange laws – another platform of the big bang programme – will streamline procedures and reduce the cost of sending funds abroad. Without accompanying reform of stockbroking commissions, officials feared that Japanese investors would be further encouraged to channel funds into overseas equity markets, where trading costs are much lower.

The plan to delay liberalising commissions follows a string of mergers and financial troubles among small and medium-sized securities houses. Financial analysts say many smaller brokers lack the resources and expertise to take advantage of new areas of business which will open up under the big bang plan. Finance ministry officials say such brokers need more time to diversify or restructure their businesses in order to meet increased competition. Critics, however, say big bang will provide a badly-needed shakeout in the industry and encourage securities houses to improve their operations.

Adding to concerns is the prospect that Japan's leading securities houses will head into next year weakened by recent financial scandals over illegal dealings with corporate racketeers. Penalties meted out to Nomura Securities have already hit hard with heavy fines and suspension of some business activities, as well as the accompanying loss of prestige and business. Prosecutors are now investigating other leading brokers, including Yamaichi Securities, in connection with the same scandal.

Beijing seeks to switch off overproduction of colour TVs

By Tony Walker in Beijing

China has frozen approvals for new manufacturers of colour televisions and has also outlawed plant expansions to counter a glut which is threatening to bankrupt producers.

The State Council, or cabinet, issued the instruction this month amid a rising stockpile of unsold colour TVs and colour tubes, reflecting irrational expansion of the industry in the early 1990s.

"Production capacity is sufficient for the domestic market and exports," said Mr Chen Wenjie, a senior Planning Commission official.

China produced 21m colour TVs in 1996, making it the world's third largest producer.

It sold some 18m last year, including exports of 5m, but production is going up while domestic demand remains flat.

Some 93 per cent of urban families and 30 per cent of rural households own colour TVs.

China had no fewer than 98 colour television manufacturers in 1996 and five of these have the capacity to make in excess of 1m sets a year.

Mr Chen said China would encourage exports to an effort to reduce bulging inventories.

He described existing exports as a "small market share in the world, if we compare the figure with overall colour TV sales".

> China had no fewer than 98 colour TV makers in 1996 and five of these have the capacity to make over 1m sets a year

Last year global demand for colour TVs reached 110m. It is expected to rise to 140m by 2000. Sichuan Changhong, China's biggest manufacturer, announced last week that it would target the US from 1999 in order to reduce its dependence on the local market. It is also planning to open overseas production sites.

China's colour TV production capacity is expected to rise to 33m by 2000. China plans by then to export 8m sets to eastern Europe, south Asia and south America.

China would provide preferential policies to manufacturers to encourage exports, including loans and tax breaks. Producers need to improve quality to increase prospects for exports.

Mergers would be encouraged to achieve economies of scale. Sichuan Changhong is acquiring two regional producers this year, lifting market share to about one third.

Greater emphasis would be placed on developing integrated circuits used in colour TV's and also on developing high definition and satellite televisions.

China would severely punish companies engaged in illegal imports of colour TVs and parts. Widespread smuggling is putting added pressure on local producers.

China forecast that by 2000 television ownership in urban areas will reach 97 per 100 families, and 40 per 100 in the countryside.

Morocco to speed up privatisation process

By Roula Khalaf in Rabat

Morocco is aiming to accelerate the sale of public enterprises by replacing the tender process with a more targeted approach to privatisation, according to Mr Aberrahmane Saaidi, the minister of privatisation.

With less attractive companies left on the privatisation list, the ministry will select a financial adviser and assign it the task of targeting foreign companies.

Once the companies have been introduced to the Moroccan enterprise, specific conditions for the sale of the asset will be worked out with the ministry, before any official offers are requested.

Price considerations may thus be outweighed by promised investment programmes.

"We are adapting and trying to follow a more pragmatic approach," said Mr Saaidi. "For complicated sales, buyers want discussions." Mr Saaidi said transparency would not be sacrificed. Although the new procedure will no longer fall under the laws of a public tender, a government transfer committee will approve every sale, which will also require two decrees from the prime minister.

Since the start of privatisation in 1993, Morocco has sold off 52 companies out of a list of 114, raising total revenues of DH14.3bn ($1.5bn).

But a programme that got off to a good start soon faced administrative hurdles.

As the profitable companies were sold first, many enterprises left on the list have become difficult to privatise. Much foreign interest in Morocco's privatisation today centres on the telecommunications sector.

A law allowing its privatisation was passed in June, but the actual sell-off is not envisaged before 1998. Mr Saaidi said the ministry remained committed to issuing part of the shares for many privatisations on the Casablanca stock exchange, and would continue to use public tenders for easier transactions.

But the new procedure will allow Mr Saaidi to overcome what he has considered an important obstacle to accelerating privatisation. His ministry has been hampered by the existence of an evaluation committee which sets a minimum sale price for public assets before the ministry can test the market. Under the new procedure, the evaluation committee will set its price after the financial adviser has studied the market and considered potential buyers' conditions for the sale.

[redacted]

Move to ease burden of compliance

By Jim Kelly and William Lewis

The Hampel committee will tomorrow urge a shift away from detailed corporate governance regulations towards a system of broad principles in an attempt to ease the compliance burden imposed by the Cadbury and Greenbury inquiries.

The committee, chaired by Sir Ronald Hampel, chairman of ICI, will seek to draw a line under the so-called "tick-box" response to the reforms introduced by the committees chaired by Sir Adrian Cadbury and Sir Richard Greenbury, chairman of Marks and Spencer.

The report will call for the establishment of a set of broad principles which listed companies – and in some cases institutional investors – should aspire to follow and which they should discuss in their annual reports.

While the reforms introduced by Cadbury and Greenbury will be broadly endorsed by the committee it will hope that its 40-page report meets complaints that companies are being overburdened by compliance.

"I wouldn't have thought this stuff is going to bite very hard," said one professional regulator. "The problem with principles is that you can't police them."

The 40-page report – described as bland by one insider – is likely to run into criticism from shareholder groups. It will be closely studied by the government which said before the election it would set up an expert panel to look at corporate governance.

The report – due to be released tomorrow – will say:

- Institutional investors should draw up a considered policy on how they should use their votes at company annual meetings.
- Smaller companies should not enjoy a lighter corporate governance code.
- Directors should continue to check that they have a proper system of internal controls to stop fraud, but Cadbury's recommendation that they should confirm in the annual report that they are "effective" should be modified and possibly dropped.
- The UK's unitary board system should stay because it has overwhelming support.
- Audit committees should keep under broad review what other services their external auditor offers the company in case their independent judgment might be threatened.
- The committee will resist pressure from Sir Richard Greenbury and others to reopen the debate on how to show the real value of pensions in the accounts. Companies will have to go on showing data on the full "transfer value".
- Companies should discuss in the narrative parts of the annual report and accounts how they have followed Hampel's principles.

While the principles are likely to win broad support from industry, groups representing shareholders will point out that the greatest risks lie with companies which can ignore principles under a voluntary system.

Patten faces secrets probe

By George Parker, Political Correspondent

The government yesterday confirmed that Mr Chris Patten, the former governor of Hong Kong, is being investigated for alleged breaches of the Official Secrets Act.

MI6, Britain's overseas security service, is understood to be looking at claims that Mr Patten passed secret intelligence reports to Mr Jonathan Dimbleby, the writer and broadcaster, who chronicled the work of the colony's last governor.

On a day dominated by tabloid headlines about the breakdown of the marriage of Mr Robin Cook, foreign secretary, the government seemed happy to shift the spotlight on to Mr Patten.

The reports allegedly concern Britain's talks with China about the future of Hong Kong, leading up to the joint declaration of 1984 – a subject dealt with in depth in a book by Mr Dimbleby.

Mr Dimbleby refused to name his sources, while Mr Patten was unavailable for comment.

The disclosure of the investigation will please elements in the Foreign Office who opposed Mr Patten's attempt to bring democracy to Hong Kong during his five years in the colony.

The furore also benefits the government, which was eager for news to distract attention from the disclosure that Mr Cook's 28-year marriage was over and that he had moved in with his Commons secretary.

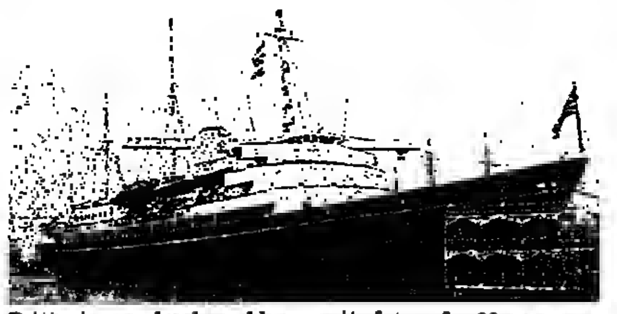
The government and the opposition Conservative party insisted it was a private matter, but the revelation of an adulterous affair by a senior government member inevitably sparked another bout of political mud-throwing.

Mr Alan Duncan, Tory vice-chairman, told GMTV's *Sunday* programme that Labour was employing "double standards". He pointed to a Labour leaflet published last week in the Uxbridge by-election which said Lord Parkinson, the Tory party chairman, had been forced to resign from the government in the 1980s because of "revelations of his indiscretion" with his secretary.

The Conservatives will today relaunch their move to discredit Lord Simon, the trade minister and former BP chairman, with new suggestions that he delayed placing his non-BP shares in a blind trust.

Deal may secure £50m royal yacht refit

By George Parker, Political Correspondent



Brittania: overhaul would secure its future for 20 years

City of London financiers are to be asked by the government to put up about £50m ($81.5m) to refit the Royal Yacht Britannia under a scheme to secure the vessel's future for at least 20 years.

Mr Geoffrey Robinson, the Treasury minister responsible for the private finance initiative scheme, in which private funds are sought for public sector projects, will propose a deal under which the refit costs would be repaid by the Queen and other users of the yacht.

The Treasury confirmed yesterday the option was being considered. "The Queen wants to keep the Royal Yacht and we don't want to spend any public money on her, and this option is consistent with both aims," the Treasury said. Britannia was expected to be scrapped, sold or turned into a museum after her final voyage from Hong Kong following the handover of the colony; most maritime experts believed a refit of the 44-year-old ship would be uneconomic.

However the royal family retains a great affection for the yacht, and many business leaders view the vessel as an ideal floating trade stand on overseas trips.

Under Mr Robinson's proposals, cleared with Mr Gordon Brown, the chancellor, the cost of the refit would be repaid to the private sector over a number of years by the yacht's users. They would include the Queen, who would pay for her use from the state budget provided for her travel costs, government departments and businesses which used the yacht for trade promotions.

The royal family would have first call on Britannia, but the Treasury estimates the private sector could use her for up to 70 days a year.

The Treasury said the proposed refit, which would include an overhaul of the vessel's outdated engines, would offer better value-for-money than buying a new yacht. Mr Peter Mandelson, the minister without portfolio and adviser to Mr Tony Blair, the prime minister, said: "If you're going to have a royal family, let them have proper modes of transport."

DML, the consortium which runs Devonport dockyard in Plymouth, southern England, has expressed an interest in refitting Britannia.

Pharmacists may get wider health role

By George Parker and Peggy Hollinger

Pharmacists could be given a greater role as "gatekeepers" to the National Health Service, with wider authority to diagnose minor ailments and dispense drugs without a doctor's prescription, under plans being considered by Mr Frank Dobson, the health secretary.

Mr Dobson believes the measures could save the NHS millions of pounds by reducing the workload of family doctors and by reducing the £4bn drugs bill of the state health service.

Pharmacists are keen to take on a more influential role as the first point of call in the health chain and also see the initiative as a chance to increase sales.

Health department officials say that Mr Dobson is anxious to take up ideas from the large pharmacy chains, which want to develop a more customer-friendly approach and to provide an alternative to the local doctor for minor problems.

"*He* is looking at whether we are using the expertise of pharmacists properly, and whether they could offer more health advice and counselling to customers on medicines," one official said.

"There is a special need for the big chains, which can seem rather impersonal, to offer someone who is a friendly figure who customers could turn to for advice."

Mr Dobson recognises that some pharmacists may need retraining but insists that this could be organised by the chemist chains themselves. A similar initiative was also considered by the previous Tory administration.

Boots, the drugs and retailing company, sees the initiative as a substantial market opportunity. It estimates that at least 65 per cent of those who could be treated by pharmacists either suffer in silence or visit a local doctor.

The pharmacy chains, which are expected to meet Mr Dobson shortly to discuss their proposals in more detail, are also keen to extend the range of medicines they can sell without prescription.

They envisage a protocol setting out the conditions they could diagnose in the pharmacy, and which could be treated using a limited number of medicines. These might include antibiotics, and treatments for asthma and eye and skin conditions, but not anti-depressants or narcotics.

Doctors are likely to oppose such a move on public health grounds and because they would feel pharmacists were moving on to their territory. However, a reduction in the number of prescription-only medicines could save the NHS tens of millions of pounds.

Pharmacists would welcome getting greater responsibility for prescribing medicines. Most have seen their traditional trade in higher margin toiletries and beauty products fade in the face of aggressive competition from supermarkets.

Renewed pipeline row ends uneasy gas peace

By Robert Corzina

Seven weeks is a long time in utility regulation. On June 18 Ofgas, the industry regulator, and BG, owner of the monopoly Transco gas pipeline system, agreed to turn over a new leaf in their relationship after a bruising inquiry into pipeline fees by the Monopolies and Mergers Commission.

Although the commission's report backed Ofgas in setting tough efficiency and financial targets for Transco, BG executives found solace in the fact that Ms Clare Spottiswoode, the director of Ofgas, publicly accepted the recommendations. That, they hoped, would remove the regulatory uncertainty which had beset the company as it struggled to come to terms with a rapidly changing market.

In addition, both sides vowed to work closely to implement the recommendations, and price cuts, as quickly as possible.

But now Ofgas and BG are back in the trenches hurling charges and counter charges over the interpretation of a key passage in the report. The issue, which could be worth as much as £500m to Transco over the next five years, concerns the validity of BG forecasts of gas shipments through the Transco network.

Ofgas claims such forecasts were flawed in that the volumes "may be understated". If that turned out to be the case then "Transco could receive revenue significantly above that considered appropriate by the MMC", says Ofgas.

Mr David Varney, BG's chief executive, accused Ofgas of "departing fundamentally from the MMC's recommendation in a way which would transform the incentive-based character of these recommendations".

He said that the commission had had plenty of time to consider the revised figures, which were delivered to it a month before publication of the report.

Ms Spottiswoode contends that the commission did not have time to consider the fresh information. She also claims the commission had experienced difficulty in appreciating the complex implications of the new figures.

The commission has declined to comment on the row, although it notes that the report does make reference to the new information provided by BG.

But irrespective of the outcome of the dispute, the row has revealed how deep the distrust is between the two. Ms Spottiswoode believes BG executives were aware that the original forecast could have been misleading. Gas volumes rose strongly last year, a clear signal, she said, that the forecast was low.

She said too many BG executives still did not understand the role of Ofgas. "There was no way we could have ignored the 'volume' issue," she said.

UK NEWS DIGEST

Minister to meet Sinn Féin chief

Ms Mo Mowlam, the Northern Ireland secretary, and Mr Gerry Adams, president of Sinn Féin, the political wing of the Irish Republican Army, are to meet this week in preparation for the entry of republicans into the Northern Ireland peace talks. No firm arrangements have been made, but the first direct discussions between the two sides at ministerial level since January 1996 may take place in Belfast on Wednesday.

Sinn Féin is due to be admitted to peace negotiations on September 15 provided the IRA ceasefire holds. Relations between Ms Mowlam and nationalist leaders collapsed after her decision last month to allow a march by the Protestant Orange Order along the Catholic Garvaghy Road in the town of Portadown. Mr Adams said: "There was no excuse for that." *George Parker*

■ ROAD SAFETY

Car commercials criticised

Commercials for cars must not glamorise speeding and aggressive driving, watchdogs warned as they criticised three recent campaigns.

The Independent Television Commission gave notice it would clamp down on "a wholesale drift in standards" from its exacting road safety guidelines.

Two advertisements – Volkswagen's Passat crash-test dummies commercial and one for Ford's Fiesta – were ordered off screen, while the Nissan Almera campaign was criticised in the ITC's July advertising complaints report. The commission made a general comment to reinforce its 1993 guidelines, which ban advertisers from depicting aggressive or illegally fast driving even in off-road, foreign or fantasy settings.

■ MOBILE PHONES

Number portability could cut costs

Mobile phone users could save almost $163.00m (£100m) over the next 10 years as a result of the introduction of number portability, says a study commissioned by Oftel, the telecommunications regulator.

Oftel announced earlier this year that it would require mobile phone operators to offer customers number portability from June next year, allowing them to switch operators without changing their telephone number. Oftel surveys suggest that the problem of changing numbers is the biggest obstacle in the way of customers considering switching operators.

It estimates that the number of businesses willing to switch networks would increase from 41 per cent to 96 per cent if portability were introduced. *Roger Taylor*

■ HEALTH

Many would pay to see doctor

More than a third of the population would pay to consult their family doctor if it guaranteed a higher level of service, this year's Planning for Social Change research programme by the Henley Centre for Forecasting will show.

The information compiled for the programme, which will be available in September, indicates that only 27 per cent of the population would be willing to pay for normal consultations. But the level rises to 37 per cent if a better service was assured. *Alan Pike*

Financial Times Annual Report Panel Service

In June the Financial Times published its annual report service which is free of charge to readers of the Financial Times

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26. ☐ Cogema
27. ☐ Colas
28. ☐ Compagnie Bancaire
29. ☐ Continental AG
30. ☐ Crédit National - BCFE Group
31. ☐ Credit Suisse Group
32. ☐ Dexia
33. ☐ Dominion Resources
34. ☐ Eiffage
35. ☐ Eldorado Gold Corporation
36. ☐ EMC Group
37. ☐ Eramet
38. ☐ Eridania Béghin-Say
39. ☐ Essilor
40. ☐ Eurisys Group
41. ☐ Fortis
42. ☐ GEA AG
43. ☐ GTM-Entrepose
44. ☐ Havas
45. ☐ Hoechst
46. ☐ Hugo Boss
47. ☐ ICFI
48. ☐ IMS
49. ☐ Industrivärden
50. ☐ ING Group ☐ Print ☐ CD-Rom
51. ☐ Keramik Laufen
52. ☐ KME
53. ☐ KPN
54. ☐ Lafarge
55. ☐ Lectra Systèmes
56. ☐ Lippo Bank
57. ☐ Lurgi
58. ☐ Mecatherm
59. ☐ Minorco
60. ☐ MoDo
61. ☐ MOL Hungarian Oil & Gas Co.
62. ☐ Norfolk Southern
63. ☐ Norbert Dentressangle
64. ☐ Overseas Union Bank
65. ☐ Pearson Plc
66. ☐ Petrofina
67. ☐ Philip Morris Companies Inc.
68. ☐ Pinault-Printemps-Redoute
69. ☐ Plastic Omnium
70. ☐ PLM
71. ☐ Primagaz
72. ☐ Promodès
73. ☐ PSA Peugeot Citröen
74. ☐ PT Polysindo Eka Perkasa
75. ☐ PT Texmaco Perkasa Engineering
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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Amber Ind 4p
BSS 14p
Belhaven Brewery 3.1p
British Petroleum 5.25p
CML Microsystems 6.1p
Campbell Soup $0.1925
Chelsea Bldg Scty Sb FRN 2004 £3979.48
Elec Data Processing 0.667p
Export-Import Bank of Japan 7% Gtd Bd 2001 $70.0
GWR 1.25p
Grampian 4.65p
Hardys & Hansons 4.2p
Harris (Philip) 7p
Hughes (T.J) 2.08p
Johnson Matthey 10.8p
Kansai Elec Power 7% Bd 2003 FFr700.0
Kobe 9¼% Gtd Bd 2000 $462.50
Marubeni 4.6% Nts 1997 Y460000.0
Do 4.75% Nts 1999 Y475000.0
Mitsubishi Chemical 4¾% Bd 2000 Y475000.0
Monks Inv Tst 6.2p
National Power 8⅜% Nts 2006 £83.75
Osaka Gas 8¼% Bd 2003 £81.25
PWS 0.3p
Ransomes 0.6p
Safeway 8.7p
Shanks & McEwan 2.6p
Tiger Oats 5½% Gross Cm Pf R0.055

■ TOMORROW

Amersham Int 18p
Anchor Int Fd $0.00353
Chubu Elec Power 8¼% Bd 2003 $312.50
Cons Bultfontein R0.0425
Cosmos Sec FRN Y1239726.0
Dairy Crest 8.84p
De Beers Cons 40% Gross Cm Pf R1.0
Do 8% Gross Cm 2nd Pf R0.04
EuroDollar 4.5p
Griqualand West Diamond Mining R0.205
NSK 4.05% Bd 1997 Y405000.0
Retresh Tranche A Perp Sec FRN Y1190137.0
Do Tranche B Y1239728.0
Salvesen (Christian) 5.35p
Staveley Inds 8.6p
Thai Petrochemical 3¼% Gtd Exch Bd 2003 $35.0
Unigate 13.2p
Yokohama 7⅜% Gtd Bd 2002 $73.75

■ WEDNESDAY AUGUST 6

Baggeridge Brick 0.75p
Borthwicks 0.8p
Cable & Wireless 8¾% Bd 2012 £875.0
Capital for Co's VCT 4.125p
Driefontein R0.75
Kloof Gold R0.16
Kobe 7½% Gtd Bd 2002 $375.0
Severn Trent 26p
Tokyo Elec 7⅝% Nts 1997 C$381.25
Tokyu Land 4.6% Bd 1997 Y460000.0
Treasury 7% 1999 £3.50
Treasury 9% 2012 £4.50

■ THURSDAY AUGUST 7

Adare Printing IR4.479p
Bradford & Bingley Bldg Scty FRN Feb 1999 £167.77
Denmans Elec 0.7p
Kuala Lumpur Kepong M$0.05
Policy Portfolio 4.5p
Renold 5.2p
Waddington 6p
Woolwich 9½% Sb Bd 2021 £95.0

■ FRIDAY AUGUST 8

American Express $0.225
BTG 0.88p
Barr (AG) 4p
Bradford Property Tst 4.85p
Crabtree 1p
Firth Rixson 0.8p
Five Oaks Invs 8¼% 1st Mtg Db 2019 £4.1875
Helical Bar 2p
Henderson American Cap & Inc Tst 1.8p
Hogg Robinson 6.1p
Majestic Wine 3.5p
Northern Foods 6¼% Cv Sb Bd 2008 £33.75
Plantation & General Invs 1.5p
Powell Duffryn 17p
Prior 3.5p
Tarns (John) 2.41p

■ SATURDAY AUGUST 9

Coats Viyella 8¼% Snr Cv Bd 2003 £31.25
Marston Thompson & Evershed 5.33p

■ SUNDAY AUGUST 10

Conversion 9¾% 2001 £4.875
Treasury 6% 1999 £3.0

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Mulberry Group, Kilver Court, Shepton Mallet, Somerset, 11.00
BOARD MEETINGS:
Finals:
Filtronic Comtek
McKay Securities
Mid Wynd Inter
Interims:
HSBC
Midland Bank
Oxford Molecular
Pearson

■ TOMORROW

COMPANY MEETINGS:
Lonsdale Hldgs, The Cobden Club, 170-172, Kensal Road, W., 11.00
Prior, 34, St. James Street, S.W., 10.30
BOARD MEETINGS:
Interims:
Cantab Pharmaceutical
Hemingway Properties
Inspec Group
Mayflower Corporation
National Westminster Bank
TR Pacific Inv Tst

■ WEDNESDAY AUGUST 6

COMPANY MEETINGS:
Harvey Nichols, Thames Exchange, 10, Queen Street Place, E.C., 2.30
BOARD MEETINGS:
Interims:
GKN
Haywood Williams
Leslie Wise Group
Metal Bulletin
Prudential Corp
Standard Chartered
Transport Development Group
Woolwich

■ THURSDAY AUGUST 7

COMPANY MEETINGS:
Bradford Property Tst, Stakis Hotel, Hall Ings, Bradford, 12.00
Feedback, Winston Manor Hotel, Beacon Road, Crowborough, East Sussex, 10.00
Kewill Systems, Shepperton Moat House Hotel, Felix Lane, Shepperton, Middlesex, 12.00
Latham (James), Leeside Wharf, Mount Pleasant Hill, Clapton, E., 12.30
Pacific Media, The Lanesborough Hotel, Lanesborough Place, S.W., 10.30
BOARD MEETINGS:
Interims:
Barclays
KBC Advanced Technologies
Liberty Intl
Mersey Docks & Harbour
Rank Group
Reed Elsevier
Robert Walters
TeleWest Communications
Zeneca

■ FRIDAY AUGUST 8

COMPANY MEETINGS:
DBS Management, Pennine Hilton, Huddersfield, 10.30
Greycoat, 9, Savoy Street, W.C., 3.00
Marston, Thompson & Evershed, The Albion, Shobnall Road, Burton, 10.30
Wainhomes, Rowton Hall Hotel, Rowton Hall, Chester, 11.00

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements

Fortunes favour the brave

A tragedy occurred last month in Japan's Ibaraki province. A 23-year-old Japanese labourer allegedly left his two children locked in a car for several hours and later returned to find one dead of heat stroke.

It is more than an ordinary tale of neglect. During those hours, according to the scandalised Japanese newspapers, the man and his wife were playing pachinko, Japan's pinball gambling game.

They were not alone. Walk through any urban area in Japan, and you will spot the noisy, garish pachinko parlours. Inside, rows of people sit for hours, obsessively playing the game.

It looks mind-numbingly dull to an outsider: the players repeatedly flip a dial to control streams of bouncing silver balls. But some 28m Japanese, or a quarter of the population, indulged in 1995, according to Japan's Leisure Development Centre. And the revenue from the business was estimated at Y26,000bn ($220bn), larger than the Japanese car industry.

According to the Japanese press, some 30 accidents with children neglected by pachinko-addicted parents occurred last year.

What is really striking is that this is occurring in a society which officially abhors gambling. Indeed, its alleged aversion to financial risk is posing something of a policy dilemma for the government as it prepares for big bang financial deregulation.

In theory, Japan bans almost all forms of betting. Pachinko slips through the net because the 1948 Law Controlling Business Affecting Public Morals states it does not "severely stir up speculative impulses".

But betting on popular sports

DATELINE

Tokyo: The Japanese must be more adventurous with their money if big bang financial deregulation is to be a success, writes **Gillian Tett**

like baseball or sumo is banned. Japanese cannot set up a proper casino. And the law has some striking implications: Over The Counter equity derivatives have never been introduced because the government deemed they fell foul of gambling laws.

Most Japanese seem happy with this. Newspapers write about gambling – and pachinko – with horror. Japanese individuals usually seem deeply nervous about taking any risks with their money. In the bubble era of the 1980s, some Japanese households tried to play the Japanese stock market. But after the stock market fall, they have stayed away.

Mutual funds are regarded with deep suspicion. Stockbrokers themselves have a reputation akin to casino operators. And most Japanese insist on placing their savings in ultra secure bank accounts, even though they pay a negligible rate of interest.

This state of affairs has important policy implications. The Japanese government has recently realised it faces a huge problem. Its population is ageing so the country needs to get better returns on its savings than those offered by the banks.

But to do this, the population will have to put part of its money into other investment areas like the stock market – taking a qualified financial "risk".

This, at least, is one of the theories behind the government's planned big bang financial deregulation. And officials are scrabbling to catch up with the implications. The government recently decided, for example, that OTC derivatives would be introduced to boost Tokyo's financial markets. Plans are afoot to persuade individual investors to play the stock market through mutual funds and investment trusts.

But the key question is: will the Japanese population – and its financial institutions – follow suit? Some doubt it.

One theory foreign bankers put forward is that the Japanese are culturally ill-suited to financial markets, because they are innately adverse to the hurly-burly of speculation.

Such theories smack of cultural arrogance. But Japanese themselves question whether individual investors will ever embrace mutual funds. As one official in the big bang project said: "Most Japanese just don't like risk. Speculating on stock markets is seen as gambling – and that has a bad reputation."

Yet the pachinko balls whirl on. The turnover of the industry has doubled in the past 10 years, according to the official data, but these may be unreliable.

Meanwhile, other forms of gambling are emerging. Betting on horses, for example, is permitted in some cases and becoming more fashionable: in 1996 it netted Y3,990bn worth of revenues. Lotteries are also popular: the government is about to launch a new one on the back of the national soccer league.

Maybe pachinko thrives, some officials suggest, because the Japanese public regard it as more of a game than a gamble. Maybe it just reflects a type of cultural split in a society that often separates "official" face and "actual" reality. Or maybe it suggests the Japanese have more of a penchant for taking risks with their money than is usually stated.

If Japan's big bang is to be effective, the government will need to find a way of making speculation less of a dirty word. Somewhere between pachinko parlours and bank deposits a middle ground needs to be found.

The Monday Profile: Bill Esrey

Fond of the big, bold move

Bill Esrey knows all about taking risks. A former Wall Street financier, Esrey is a passionate helicopter skier – a sport that involves being dropped off on a *remote, ungroomed peak.*

It is also through extravagant risk-taking, and his fondness for the big, bold move, that Esrey has turned Sprint into one of the most admired US telephone companies.

In the early 1980s, it was Esrey who championed the project that was to make Sprint the country's third-biggest long-distance carrier: the construction of a national fibre-optic network, the first of its kind. It was the work on that project that helped secure Esrey the chief executive's office in 1985.

Sprint is in the middle of a second, equally ambitious roll of the dice. This time it involves a new national wireless network, a $10bn (£6bn) joint venture with three cable television companies that is set to make it second only to AT&T in wireless telephony.

"We're taking plenty of risk in wireless," says Esrey, chairman since 1990. "We don't mind taking plenty of risk."

Yet for all the expansiveness of such moves, he has a careful, even calculating manner. A slight, well-groomed man, his grey-blue eyes fix you with the clear stare of a skilled poker player. He may take big risks, but you get the feeling that the odds have been endlessly calculated and recalculated.

That feeling is reinforced when Esrey addresses one of the questions that frequently arises about Sprint: how can a company of its size compete on so many fronts in the world's biggest telecoms market?

Besides making big plays in wireless and long-distance, it owns a number of local telephone systems – its original, and most profitable, business – and has an alliance with the French and German national carriers to expand internationally.

A former managing director at investment bank Dillon Read, Esrey counters that there is plenty of money for his schemes.

"I spent 10 years on Wall Street. I have yet to see or hear of a capital shortage," he says. "If you've got a business plan people believe in, you can get all the capital in the world."

Right now, the Sprint chairman is enjoying a stable relationship with Wall Street that must make him the envy of his most direct rivals, Bob Allen at AT&T and Bert Roberts at MCI.

Allen has fallen out of favour after losing his heir apparent for the second time in a year and failing to pull off a giant merger with SBC Communications. And Roberts' attempt to break into the US local telephone markets produced a surprise profits warning last month and ructions in his relationship with prospective merger partner British Telecom.

For Esrey, there is a certain irony in all this. Like many in the current crop of senior US telecom executives, he is a product of the old AT&T, the company that dominated the industry before a break-up that produced separate local and long-distance companies.

His father also worked for AT&T – a job that took him to Kansas City, where the younger Esrey attended high school and where he is now boss of the city's biggest private sector employer.

From the outside, he has recently watched AT&T stumble over what he calls "a lot of the basic moves" – making a mess of NCR, the computer company it bought then spun off again, or its failed talks with SBC.

Such talk suggests that Esrey himself is not likely to be the man to be called on to save AT&T in its current predicament.

Last summer, when the company was looking for a new number two to *Allen, Esrey's name* was frequently mentioned – though he always maintained that he had more than enough to keep him occupied at Sprint, and was apparently never approached about the job. This summer, with AT&T facing a far more urgent search for a successor to Allen, his name has inevitably been bandied around again.

With Sprint's new wireless network well into construction, there is plenty of unfinished business to keep Esrey in Kansas City for the rest of his career. A restructuring of the wireless venture seems likely at some stage.

There is also the push into local markets though here the Sprint chairman admits to something of a "go slow", due to the regulatory and operational problems of attacking the monopoly Baby Bells on their home turf.

Sprint under Esrey has also turned its sights overseas through its partnership with France Telecom and Deutsche Telekom. Esrey admits this venture is "not without start-up problems", given that the two European carriers "haven't had a need in the past to move fast or make decisions quickly".

In the midst of all this come the endless rumours of possible mergers, as the US – and global – telecoms industry struggles through its protracted deregulation and consolidation.

The Sprint chairman says he has looked at the potential combinations and sees little value in a link with another carrier. But, ever the calculating financier, he is dispassionate.

"If someone wants to come in and pay substantially more for the company than we believe we can make [alone], then so be it."

Richard Waters

FT GUIDE TO:

NEW NUMBER PLATES

Number plates for new vehicles in the UK changed again on August 1 – how long has this practice been going on?

New vehicles get a different registration prefix each year. *For the next 12 months from last* Friday all new cars, trucks and motorcycles will have number plates beginning with R. The system dates back to 1963, when an A suffix was introduced as the first "annual identifier" on number plates to cope with spiralling vehicle sales.

All change for the once-a-year annual identifier?

Haven't there been renewed calls for the system to be changed?

Carmakers and dealers have grown increasingly disenchanted with the summer prefix change. They argue it has severely distorted the new car market: up to 25 per cent of annual sales are concentrated in August as consumers rush to be the first on their street with a new vehicle. The annual identifier means neighbours can tell instantly they have a new car.

Carmakers argue the system puts immense strains on logistics, as they must stockpile huge quantities of vehicles for the August rush. About 490,000 cars are expected to be sold this month, reflecting the scale of the operation.

It also poses a challenge to dealers, especially smaller garages with few staff, which have to carry out pre-delivery checks and cut through the red tape on a relatively large number of cars in a short time.

The August changeover also distorts the used car market, because most of the cars being bought are financed by part-exchanges, which have to be shifted on the second-hand market.

Aren't stockpiles expensive?

Absolutely. Having accelerated product development and adopted "lean manufacturing" in their factories, distribution and retailing are the last big areas of "fat" in the motor industry.

Carmakers argue the August changeover is an *anachronism which doesn't even serve customers* that well. Some garages cannot always provide a respectable service because of the rush and customers are sometimes fobbed off with a car which does not entirely meet their specifications.

Hasn't the system been changed once already?

The annual change used to be in January. But in 1967, it was shifted to August – partly in response to industry pressure to build up sales during the slack summer season and smooth out business through the year. So 1967 was an anomaly: cars bought between January and July had an E suffix, while those purchased after August were F-registered.

What does the motor industry want to do now?

The latest proposal from the industry is for a twice-yearly change in March and September. Executives argue this will avoid the huge August boom and smooth out sales, although with two smaller blips a year rather than one big one. An established mini-upturn in demand in January is expected to continue whatever happens.

Would this latest plan be any better?

The carmakers argue changing registration prefixes twice a year is the best compromise between *conflicting interests.* Executives admit they pressed for an annual changeover in the 1960s partly because they recognised the kudos of owning a visibly new car would boost sales. What they didn't count on was the degree of distortion.

They now claim a twice-yearly system is the best trade-off between stimulating demand and *avoiding an annual bulge.*

Do other countries have the same problem?

The UK is virtually alone in having such a striking way of spotting a car's age, although the Republic of Ireland also uses an annual identifier. Practice differs sharply in continental Europe, with most countries having a regional identifier. People in France, for example, can always tell a Parisian car because of the 75 number plate.

Why can't the UK adopt a simpler system?

Before 1963, British number plates had just six characters – three letters and three numbers, with two of the letters identifying the county of registration. But with car sales now exceeding 2m a year, regular changes are essential to prevent number plates becoming ungainly.

The police have always favoured annual identifiers to help identify vehicles involved in crimes; witnesses apparently remember the registration prefix much better than the make or model.

What will happen next?

The motor industry's latest proposal was discussed at length with the previous government, but a decision was cut short by the election. The industry would like the twice-yearly changeover to start next March and continue until the current age identifiers reach the letter Z in 2001.

Then, carmakers and dealers recommend a new number plate configuration. This would retain seven characters, but change the order to four letters, two numbers and a final letter as the age identifier. Talks on the change have restarted with Labour. A decision is expected soon.

Haig Simonian

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 03.08.97 — Final Prices for Trading on 05.07.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	12.28	11.68	11.93	1.36
0100	11.64	9.50	9.74	1.36
0130	10.55	9.50	9.74	1.36
0200	10.55	9.50	9.74	1.36
0230	10.55	9.50	9.74	1.36
0300	10.55	9.50	9.74	1.36
0330	10.55	9.50	9.74	1.36
0400	10.55	9.50	9.74	1.36
0430	10.55	9.50	8.74	1.36
0500	9.90	9.50	9.74	1.36
0530	11.62	8.04	8.28	1.36
0600	11.62	8.02	8.02	0.00
0630	11.62	8.03	8.03	0.00
0700	11.62	8.04	8.28	1.36
0730	11.62	8.04	8.28	1.36
0800	12.07	9.50	9.74	1.36
0830	13.96	10.00	10.24	1.36
0900	14.45	13.56	13.80	1.36
0930	14.45	14.03	14.27	1.36
1000	15.99	18.11	18.36	1.36
1030	15.99	15.45	15.70	1.36
1100	17.06	18.11	18.36	1.36
1130	17.06	18.11	18.36	1.36
1200	18.83	18.11	18.36	1.36
1230	19.83	18.11	18.36	1.36
1300	18.83	18.11	18.36	1.36
1330	17.06	18.11	18.28	1.36
1400	16.42	18.11	18.36	1.36
1430	15.85	18.11	18.36	1.36
1500	15.20	10.03	10.03	0.00
1530	14.46	10.01	10.01	0.00
1600	14.33	10.00	10.00	0.00
1630	14.45	10.00	10.00	0.00
1700	15.85	10.00	10.00	0.00
1730	19.22	10.00	10.00	0.00
1800	19.22	10.00	10.00	0.00
1830	15.20	10.00	10.00	0.00
1900	15.20	9.50	9.50	0.00
1930	15.20	10.00	10.00	0.00
2000	18.20	10.00	10.00	0.00
2030	14.45	10.00	10.00	0.00
2100	10.30	10.00	10.06	0.00
2130	15.20	17.64	17.88	1.36
2200	23.00	19.39	19.63	1.36
2230	23.00	20.21	20.45	1.36
2300	14.45	20.21	20.45	1.36
2330	18.05	19.39	19.63	1.36
2400	12.04	13.85	14.09	1.36

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 246 8789 between 8:30am and 5:15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 04.08.97 — Final Prices for Trading on 07.07.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	12.07	10.01	10.01	0.00
0100	11.62	9.50	9.50	0.00
0130	11.92	9.50	9.50	0.00
0200	11.92	9.50	9.61	1.09
0230	11.92	9.50	9.50	0.00
0300	11.92	9.50	9.61	1.09
0330	11.92	9.50	9.61	1.09
0400	11.92	9.50	9.61	1.09
0430	11.92	9.50	9.61	1.09
0500	11.92	9.50	9.50	0.00
0530	8.00	9.50	9.50	0.00
0600	8.00	8.05	8.05	0.00
0630	10.16	8.09	8.02	0.00
0700	15.89	10.30	10.30	0.00
0730	12.27	12.66	12.77	1.09
0800	15.89	16.78	16.89	1.09
0830	16.92	17.20	17.32	1.09
0900	19.01	18.20	18.32	1.09
0930	16.57	20.01	20.15	1.09
1000	19.01	20.09	20.26	1.09
1030	19.54	20.16	20.34	1.09
1100	18.54	20.22	20.43	1.09
1130	19.54	26.76	27.01	1.09
1200	20.71	33.66	33.95	1.09
1230	20.71	33.64	33.91	1.09
1300	19.01	26.71	26.95	1.09
1330	17.66	20.12	20.30	1.09
1400	16.57	33.13	33.29	1.09
1430	16.57	33.08	33.23	1.09
1500	16.57	19.96	20.12	1.09
1530	16.57	19.96	20.10	1.09
1600	18.14	20.00	20.15	1.09
1630	16.57	29.73	29.90	1.09
1700	18.54	20.15	20.34	1.09
1730	18.54	29.72	29.89	1.09
1800	18.04	29.59	29.73	1.09
1830	18.54	16.79	16.90	1.09
1900	16.57	17.33	17.44	1.09
1930	16.57	15.60	15.71	1.09
2000	15.98	12.66	12.77	1.09
2030	10.28	12.55	12.66	1.09
2100	10.29	12.55	12.66	1.09
2130	21.71	19.50	19.61	1.09
2200	23.28	19.50	19.61	1.09
2230	23.28	19.50	19.61	1.09
2300	18.54	19.50	19.61	1.09
2330	19.54	12.55	12.66	1.09
2400	16.89	12.55	12.66	1.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 246 8789 between 8:30am and 5:15pm Monday to Friday.
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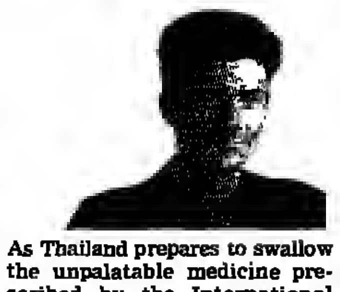
Robert Chote · Economic Notebook



There may be trouble ahead

It is not easy to predict where and when currency crises will strike

As Thailand prepares to swallow the unpalatable medicine prescribed by the International Monetary Fund, the pressures that have toppled a succession of south-east Asian currencies in recent weeks seem to be abating. But history suggests it is only a matter of time before another victim finds itself in the speculators' sights.

Currency crises are triggered by a combination of bad policies and bad luck. Many economists have tried to devise models that can predict when and where they will strike, but it is no easy task. A country in recession or with a deep current account deficit seems in more danger than one boasting strong growth or a trade surplus, but these characteristics are neither necessary nor sufficient to predict where an accident may happen.

Theorists distinguish between crises that can be explained by poor economic fundamentals – an overvalued exchange rate, for example – and those which are driven by self-fulfilling expectations for which it is difficult to find a proximate explanation.

There may be a range of "fundamentals" within which a country is vulnerable to attack. This implies two tasks for policymakers: to improve their fundamentals and to reduce the range within which they are vulnerable. A government might achieve the latter, for example, by increasing the maturity of its foreign *currency debt.*

Crises elsewhere increase the risk of a crisis. Recent events in south-east Asia are a classic example of this "contagion" effect, in which speculators get a taste of blood from one attack and move to the next.

At a recent conference organised in Cambridge by the Centre for Economic Policy Research and the Global Economic Institutions programme, Andrew Rose of the University of California (Berkeley) presented a paper looking at crises in 20 industrial countries between 1959 and 1993.* The study concludes that attacks on foreign currencies increase the probability of a domestic attack by 8 per cent.

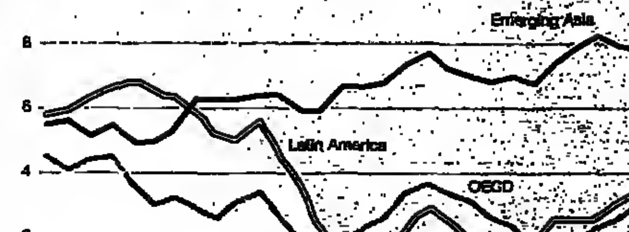
The study identifies two channels for contagion. Speculators may pick on countries which trade heavily with an existing crisis victim, perhaps because a devaluation in one country will put pressure on its trading partners to devalue as well to maintain their competitiveness. Alternatively, they may pick on a country with similar economic policies and performance.

Rose argued that the trade effect appeared to be stronger, but this may be because the study focused on industrial countries. The recent episode of turbulence – which began with Thailand and the Czech Republic being hit at the same time – suggests that economic similarities may be more important in emerging market crises. Casual observation suggests speculators have been targeting countries with big current account deficits.

Can certain economic indicators be used to predict crises reliably? Different explanations for crises imply that different indicators might be useful. If crises are caused by excessively loose monetary and fiscal policy, one might expect this to be reflected

Asia growth: too much of a good thing

5-year moving average real GDP growth (annual % change)



Source: JP Morgan

for a country defending a fixed exchange rate by rapid domestic credit growth and a steady decline in international reserves. Alternatively, one might argue that a fixed exchange rate will crack when the cost to the real economy of defending it with high interest rates becomes prohibitive. In which case, output growth and the differential between domestic and foreign interest rates might be the variables to look at. But if crises are the result of self-fulfilling expectations, early warning indicators might be impossible to find.

These possibilities were investigated in a paper published last month by the International Monetary Fund.** This paper built on an earlier study looking at 76 currency crises in 15 developing and five industrial countries between 1970 and 1995.

The behaviour of international reserves, the real exchange rate, domestic credit, credit to the public sector and domestic inflation all warned of crises, the IMF paper argued. The trade balance, export performance, money growth, real GDP growth and fiscal deficit also sent signals.

The study argued that it was important to examine a number of indicators, because the performance of any one was patchy at best. In the months before a crisis the best performing indicator – a real exchange rate divergent from its long-run trend – signalled problems ahead on only 25 per cent of occasions when that warning would have been justified. It would also have signalled a looming crisis on 5 per cent of occasions when none followed.

An early warning system of this sort could prove useful for investors and the international financial institutions, but it has limitations. The absence of an infallible indicator of a looming crisis means a country may feel it can ignore warnings. Since 1995 the IMF has had a series of disagreements with south-east Asian governments about the dangers of overheating.

"Given the priority attached to high growth rates to raise living standards, the authorities may be cautious about tightening policy on the basis of growth forecasts and uncertain estimates of potential before there is hard evidence in price and external sector data," an internal IMF memo observed last year. "It is not surprising, therefore, to find differences of opinion between the fund and member authorities about the risks of overheating."

These differences of opinion were conspicuous in Indonesia, Malaysia, Korea and Thailand, all of which have hit trouble subsequently. Malaysia and Indonesia insisted that strong investment spending would allow them to sustain rapid growth, while the Koreans argued that tightening policy was politically impossible. Malaysia, Indonesia and Thailand all resisted IMF calls to raise interest rates during 1996.

Since the Mexican financial crisis in 1994-95, tighter surveillance of national economic policies has been seen as the best way to avoid trouble. But when the timing and location of crises appear to be driven as much by misfortune as mismanagement, it is disappointing but not surprising that many countries still choose to push their luck.

*Contagious Currency Crises, Eichengreen et al, CEPR Discussion Paper 1453, 1996.

** Leading Indicators of Currency Crises, Kaminsky et al, IMF Working Paper 97/79, 1997.

[redacted]

Tom Lester asks how much companies will rely on third parties in the future

A virtual reality

When George Simpson, GEC's managing director, recently announced his plans to restructure the UK's leading electronics group, he said that he wanted to move away from the old "joint-venture culture" and towards direct investment and control by GEC managers.

Over the past decade, partnership with rivals and others had been one of the central pillars of the strategy pursued by Simpson's predecessor, Lord Weinstock. Now, it appears, this strategy is being largely abandoned in favour of attempts by the group to build global businesses on its own.

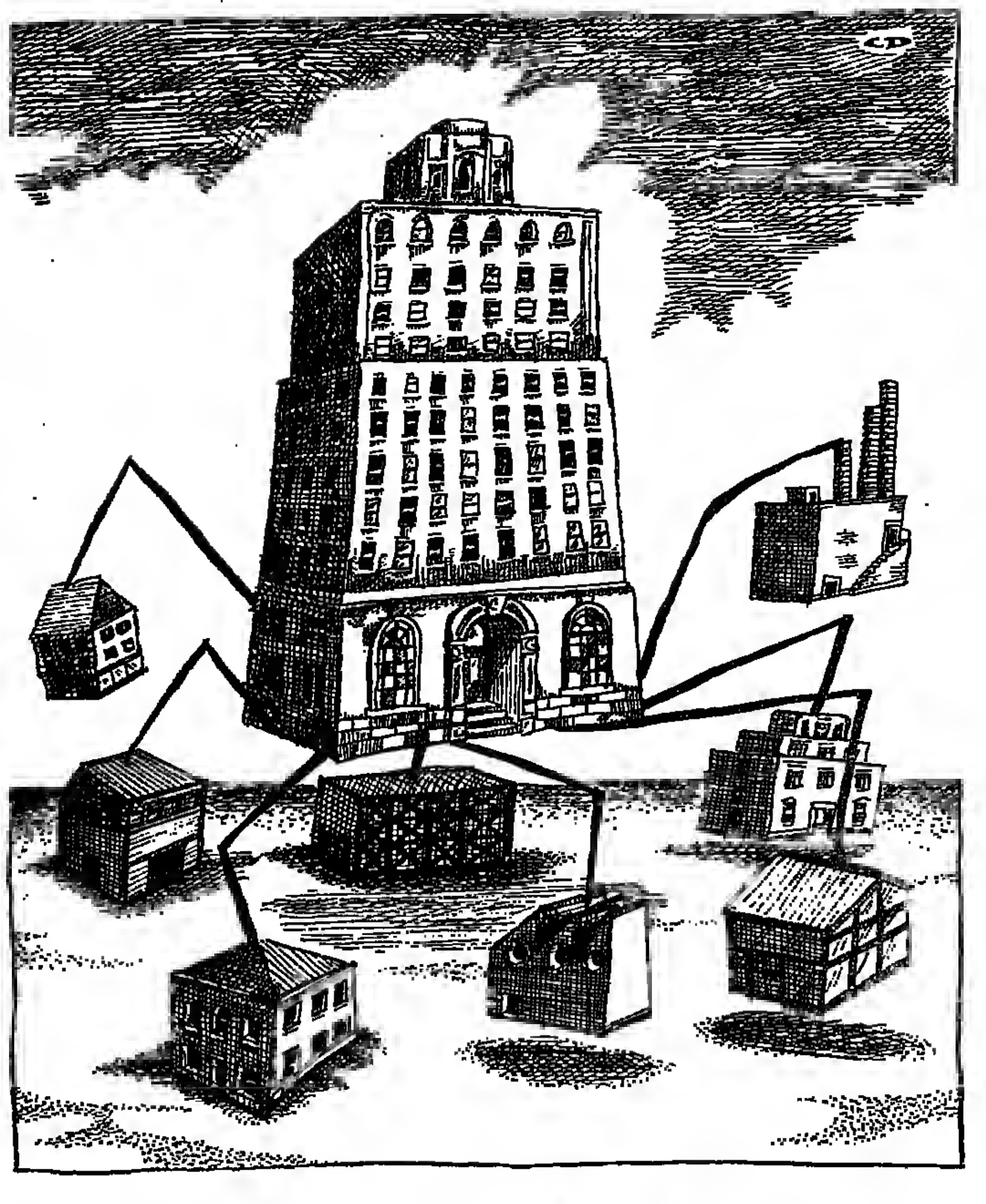
Successful or not, the announcement shows how premature it is to assume, as some observers do, that all companies are destined to become "virtual organisations" – relying heavily, or even exclusively, on third parties for many of their processes.

Colin Price, a partner with the Price Waterhouse management consultancy, is a typical enthusiast for the concept of the virtual organisation. "The question is not 'is it going to happen?' It's 'when is it going to happen?'," he says.

He cites British Airways as an organisation heading in the virtual direction; Benetton, the Italian clothing manufacturer and retailer, with its armies of production sub-contractors and retail franchisees, is seen as another.

But Robert Ayling, BA's chief executive, has strongly denied having any virtual ambitions. He has said he expects to employ as many people in 2000 as he does now.

Benetton, with 6,000 direct employees, two years ago completed an £80m investment to create what it called "one of the most advanced manufacturing complexes of its kind anywhere in the world". Nothing much virtual about that. The processes which Benetton does outsource tend to be those which do not suit centralised production in the textile world, a pattern established by the Industrial Revolution.



It would seem, then, that the concept of the virtual organisation needs closer scrutiny than enthusiasts have generally been prepared to give it.

The growth in e-mail, video-conferencing, electronic data interchange and so on, allows managers to work together across corporate and national boundaries. But IT does not, in itself, make for a virtual company.

There is no doubt that many companies are relying ever more heavily on third parties, GEC notwithstanding.

They may be providing important services such as information technology and accounting, or product development and manufacture. They may help to strengthen the product line-up or aid expansion into new, otherwise inaccessible, markets.

But do these developments make companies virtual? Organisations such as GEC, BA and Benetton are not intending to rely so heavily on third parties that their corporate mass will be reduced by any significant extent. If nothing else, corporate egos would prevent it.

Microsoft's business might seem more suited to virtual operation, yet it has 20,000 employees focused on developing its own software products.

Alliances are not ruled out by Bernard Vergnes, European chairman. "Microsoft finds its area increasing at a very fast rate. It can't do it all on its own," he says. But its experience of alliances has not always been happy: it would seem to be the instinct of Bill Gates, chairman, to maintain direct control. Where gaps appear in his company's expertise, he prefers to buy a specialist company and the people in it. Total purchases in the past 18 months have exceeded $1bn (£625m).

Whether such corporate giants will switch from real meat to virtual meat in future is a practical issue based on the balance of advantages.

For example, GEC's former policy of forging alliances was based on necessity; in going it alone now, Simpson is attempting what Weinstock might have preferred, but could not manage at the time. At BA, John Patterson, director of strategy, points out that the company could lease its aircraft fleet – as the virtual school suggests – but it would not be any cheaper, and might incur some operational penalties.

In fact, the thorn in BA's side, the Virgin Group, comes much nearer to the virtual ideal of obtaining the maximum leverage for the minimum input.

For new ventures, from jeans to life assurance, Virgin prefers to work with an experienced partner, bringing to the party little more than the values associated with the Virgin name and a certain management insouciance. The method allows Virgin to pursue a number of promising opportunities without stifling them with controls and overheads.

It is here that the virtual idea seems to have most to offer. For start-ups with limited capital and management resources, that have to struggle to build a rapid presence in the marketplace, there are many advantages to making use of the strengths of established companies. First Virtual (see below) has unashamedly used this tactic in its four-year life.

The example reveals two valuable points about virtuality: although First Virtual makes constant use of video-conferencing to keep in touch with its partners, IT is incidental to the technique. Second, virtuality may not be for ever: as a company grows it may find it has to take back under its wing certain activities.

Overall, virtuality is simply about using other people's resources for your own ends. Employed in the right way, it is bound to flourish.

The author is a consultant and writer on business issues.

Getting to the core of the matter

First Virtual Corporation, one of the few, truly virtual organisations in existence, was set up in 1993 by Ralph Ungermann, a Silicon Valley multi-millionaire who made fortunes out of microprocessors and computer networking.

With only 50 direct employees, it notches up sales of its multimedia networking equipment of about $50m (£30.6m) – two and a half times more per employee than Microsoft. Everything, except the crucial design and development work, is outsourced, including the accounts function and even cash management.

Ungermann has concluded partnerships with Bay Networks, International Business Machines, Nortel and others, and has set up a global marketing organisation using either a small independent team, as is the case in London, or an alliance with a large local company such as Alcatel in Paris.

His company has two important "core competences" he says – two things at which it excels and from which it derives its competitive advantage. These are technical development and forging alliances with large companies. "We depend on partnerships, and we'd die if we were not really good," he says.

The question is whether, as First Virtual grows, it will need to take tighter control of some core processes, such as global marketing or production. That has been the experience of GEC and many conventional companies before it.

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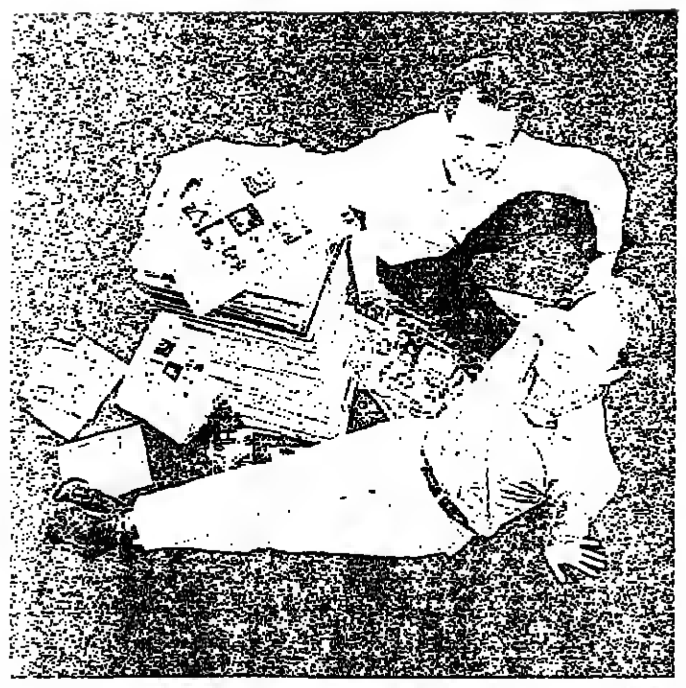
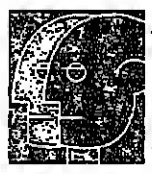


Colin Beere

Needham (top) and Levy: 'If you fake it you won't last in sales'

PARTNERS

Student Pages Student Marketing



Andrew Needham and Jon Levy, both 27, started Student Pages while they were at Edinburgh University in 1989. Their company, which produces a telephone directory for students, has expanded to 26 university towns. In 1995 they launched Student Marketing, which specialises in promotions. Their turnover is £1.3m.

Andrew: "After graduating, everyone was talking about their second interviews at companies like Unilever, yet the conversation stopped when I mentioned expanding Student Pages. It was like I wasn't moving on. I knew if the product worked in Newcastle and Cardiff – opposite ends of the country – then the business would be a success.

In many ways Jan's been the perfect partner, a good anchor man, reliable and consistent. When we started out he wasn't terribly assertive. For the first couple of years I could walk all over him, but he's now become more authoritative. At times he's still too reasonable for his own good. If someone delivers something late, Jan will be too nice, which slows everything up. If we'd taken his approach to invoices we'd be bankrupt by now. We now require a 50 per cent deposit which I pushed for. He never thinks long term, that's all driven by me. I have to bring ideas to him; otherwise ventures like Student Marketing would never happen.

At first I used to think he was incredibly clever, like a chess player always thinking four moves ahead, then I realised he's not that sharp. You can never rush Jan which I find frustrating, yet the nice thing about him is that what you see is what you get.

I'm definitely more ambitious than him. My end-goal is bigger than his, and the time-frame to achieve it much shorter, whereas Jan is content to accept less for longer."

Jan: "The idea originally came from America, where one of our friends had seen a student directory with discount vouchers. Inside they were offering things like a free bottle of wine. Andy and I went shop to shop during that first summer holiday and within six weeks we'd raised £25,000. We wanted enough revenue to produce a decent publication, which we achieved because we believed it would work.

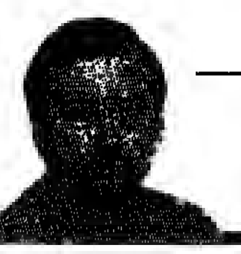
One of the principles we teach our staff is: don't pick up the phone or knock on a door unless you love the product. If you fake it, you won't last in sales. My own philosophy is never to chase money, it always runs away. If you chase success, money chases you.

There's a real buzz in the office which largely comes from Andy. When he's around everyone is psyched up. He's very intense, to the point where he gives you a headache. Quite often I know he's wrong, but I find it too tiring to argue with him. If it's nothing major I'll say, 'yeah, you're right'.

In the early days we spent half the day rowing, whereas now we've got a better understanding of the business. The first time we ran a recruitment weekend, we put everyone up in a hostel and made the food ourselves. Compared with then, we're 100 times better. Back then we were students selling to students, so we didn't know any better."

Fiona Lafferty

Beware the malign forces of the VE complex



Tony Jackson

Talking to managers these days, I sense a tide of resentment against the tyranny of e-mail. I do not entirely share it. Properly handled, e-mail has its uses. What bothers me more is its older sibling, voice-mail: or more precisely, the malign combination of the two. Let us call it the VE complex.

I was talking recently to a New York consultant whose job is to meet employees who have unexpectedly quit and quiz them on what went wrong. One case was an investment banker who had walked out of her highly paid post with a Wall Street company. Her employers offered her an extra $200,000 a year to stay, but she was adamant.

When interviewed, she was quite clear on the reason. She worked, as is customary with Wall Street bankers, from 7.30am to perhaps 8pm. She then had to spend a further hour ploughing through her voice-mail and e-mail. In the end, the VE complex did for her.

For that $200,000, of course, her employers could have provided her with a whole fleet of secretaries. But that was beside the point. For many companies, cutting down on secretaries has a symbolic force. It shows they are lean and mean. It proves they are abreast of new technology.

But is it efficient? The good secretary or personal assistant is mostly there to screen and select: to rebuff the cold callers, dissuade the loonies and protect the executive from general hindrance and vexation. The VE complex does part of that, by denying direct access to the executive. What it cannot do is discriminate.

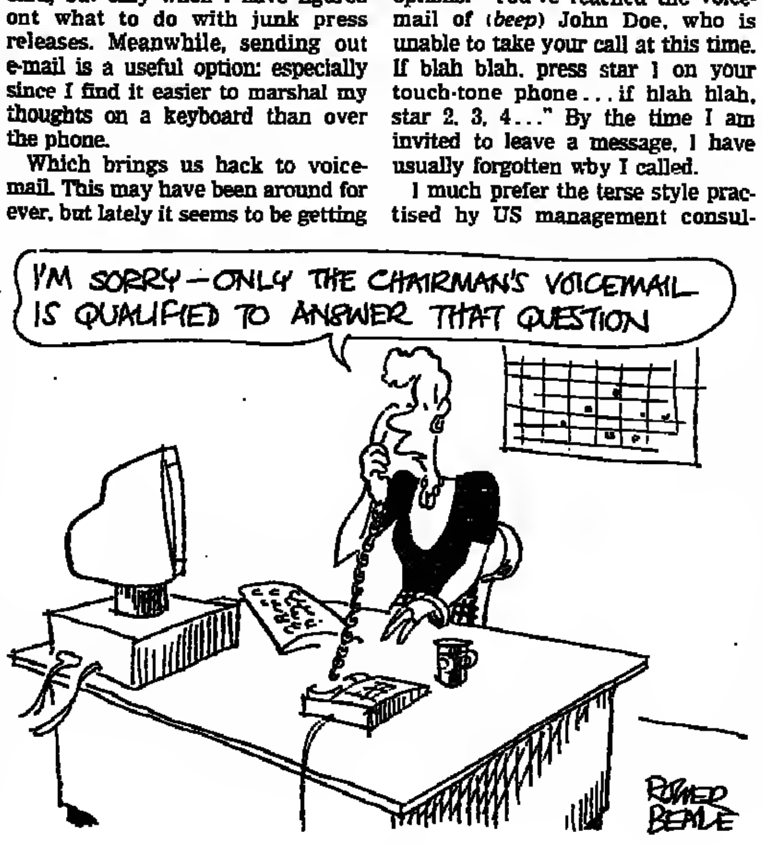
In the case of e-mail, this need not matter unduly. As a screen-based journalist, I have been dealing with internal e-mail for the best part of a decade. Every day, I am confronted with the usual torrent of gibberish: odd requests, misdirected commands, office jokes and gossip. After holidays, clearing it is tiresome. Otherwise it takes five minutes.

As for external e-mail, the tide is rising, but slowly. I have had an internet address for the past year, and am in no hurry to broadcast it. One day I will put it on my business card, but only when I have figured out what to do with junk press releases. Meanwhile, sending out e-mail is a useful option: especially since I find it easier to marshal my thoughts on a keyboard than over the phone.

Which brings us back to voice-mail. This may have been around for ever, but lately it seems to be getting ubiquitous. Unlike e-mail, it takes a long time to transmit and to receive. Either way, *it is a pain.*

As a caller, I am particularly vexed by the system which rings a dozen times, gives me a robotic greeting and goes into a flurry of options. "You've reached the voice-mail of (*beep*) John Doe, who is unable to take your call at this time. If blah blah, press star 1 on your touch-tone phone ... if blah blah, star 2, 3, 4 ..." By the time I am invited to leave a message, I have usually forgotten why I called.

I much prefer the terse style practised by US management consultants: no rings, just "This is John Doe, leave a message and I'll get back to you". I have tried this on my own voice-mail, with patchy results. When the caller is British, the usual response is a wondering pause or a burst of laughter. Perhaps it needs a little polishing.



Meanwhile, I notice a subtle shift in the relationship between voice-mail and secretaries. If I reach an executive's secretary these days, I am often invited to switch to the boss's voice-mail rather than leave a message. Similarly, callers to the FT often ask secretaries to be put through to journalists' voice-mail.

This seems to me doubly perverse. First, it is a secretary's job not just to screen messages, but to condense them: to give me the gist of what the caller is on about, so that I know whether to respond.

Perhaps that is the point. By coming through on voice-mail, the caller can drone on without interruption. I may suspect the call is a waste of time: but the practised PR person, for instance, knows to delay the main proposition until the end.

The other perversity is that all those forms of communication are not replacing each other but piling up. Callers will talk to the secretary and leave a voice-mail. Or they will send a fax and an e-mail, then call to check they have been received. Or, if they began with a call, they will send an e-mail to confirm it.

So there I am on a Monday morning, headphone clamped to my skull, scrolling through the e-mail, riffling through the in-tray and calling to my secretary for messages. I am reminded of the character in Waugh's *Decline and Fall* who is sent to jail and frets at being cut off from the world. Over time, he comes to realise it is a blessing. And all he was worried about, God knows, was not getting his daily newspaper.

Lucy Kellaway is on holiday.

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U T E L L

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Raymond Snoddy · Media

TV regulation needs update

Television's Channel 4 should be assured of a sizeable audience when, as promised, it provides a repeat showing of Ken Loach's film *Ladybird, Ladybird* in the Film on Four series.

The factor that should ensure a boost in the ratings is that the characteristically gritty Loach creation – an unmarried mother, domestic violence, forthright language – has been roundly condemned by the Broadcasting Standards Commission. This is the regulatory body created out of the merger of the Broadcasting Complaints Commission and the Broadcasting Standards Council.

The Loach film broadcast in November – at 10pm with appropriate warnings so that viewers were unlikely to be surprised by what they were about to see – was judged by the BSC to have gone "beyond acceptable boundaries" in its portrayal of violence and use of language.

The Commission's ruling, which Channel 4 had to broadcast last week, gave Michael Jackson, the recently appointed chief executive, the chance to continue a fine old Channel 4 tradition.

Scarcely before his seat was warm, Jackson had the pleasing task of mocking the BSC for its "extreme view of a distinguished feature film by one of Britain's outstanding contemporary film-makers".

His predecessor, Michael Grade, had frequently been moved to comment similarly in response to previous BSC rulings.

In June the BSC criticised Channel 4's showing of Peter Greenaway's *The Baby of Macon*. Three viewers had complained to the Commission although more than 500,000 people watched the film that was shown after 11pm, complete with an appropriate warning.

The case of the Loach film is, however, particularly instructive and goes to the heart of a growing crisis in the way British broadcasting is regulated.

Not only was *Ladybird, Ladybird* cleared for cinema exhibition but, more importantly, the Independent Television Commission, the primary regulatory body for commercial television in the UK, saw nothing wrong with the film. The film did not breach the ITC's programme code.

Regulation of broadcasting will always be a subjective business: one person's case of outrageous censorship is another's protection of society from the arrival of disgusting and degrading images in the nation's living rooms.

The problem in the UK has been a surfeit of regulators with different codes and different standards.

Things started to go haywire when former prime minister Margaret Thatcher decided to create the Broadcasting Standards Council. It was done in an attempt to stamp out the kind of filth the existing regulators, including the governors of the BBC, were happily allowing on screen.

The Broadcasting Complaints Commission had a more precise statutory function – providing some redress to individuals who had been treated unfairly by broadcasters.

Regulation will always be subjective: one person's case of outrageous censorship is another's protection of society

The situation is about to become much worse: the BSC, as requested by the last Parliament, is in the final stages of drawing up a code on fairness and privacy.

Broadcasters will soon have to look over their shoulders twice at two different codes before turning on their cameras. Broadcasting legislation is not high on the list of the Labour government's priorities. When it does get around to the subject, however, it should realise that a long, cool look at the regulation of broadcasting is becoming more and more necessary.

The centrepiece should be the abolition of the BSC, although it has to be conceded that the Commission and its predecessors have created much mirth over the years. It was great fun, for instance, when the BSC included kissing and reports of earthquake devastation in the sex and violence sections of its annual monitoring report on British television.

But if the government is serious about seeing the media as one of the UK's most important industries, it should create an appropriate regulatory framework.

The government wisely appears to have dropped the idea of creating an Ofcom – a single regulator for all of the communications sector. Such an animal would surely assemble too much power, not to say complexity, under one roof.

But a single regulator for television content, including issues of fairness and privacy, is something that is long overdue.

That body should be the Independent Television Commission. In spite of occasional lapses, the ITC has shown greater maturity and less censorious attitudes than the BSC.

FREE SPEECH

Talk keeps rural Kenya informed

Michela Wrong on rigid state control

On Friday night at Nairobi's *Machakos* bus station, Kenya's most independent, if haphazard, news network springs into life. Thousands of workers board buses for the countryside. With them goes a week's worth of political gossip.

However sketchy, the stories they feed the people back home will often be the only unbiased information on events that hit a government nerve. If a new opposition party is launched, a human rights organisation criticises Kenya or donor nations threaten to cut aid, isolated rural communities may only hear about it by word of mouth.

Five years after the introduction of a multi-party system, the state grip on the media remains rigid. As a result, free access to the media is a bone of contention between the government and reformers in the run-up to elections expected this year.

"The majority of Kenyans don't understand what is going on in their own country," says David Makali of the Media Institute, a non-governmental organisation working for freedom of expression. "So they cannot participate in debate on the issues of the day."

This murky vision is partly the result of a careful licensing regime and the ruling Kanu party's heavy – if veiled – presence in the media industry. Illiteracy and poverty levels put the usual sources of uncensored information – satellite and cable television, international wire services and the internet – out of reach of all but a tiny elite.

In a population of 29m there are 400,000 television sets. Given that four people probably have access to each set, that still means only a tiny fraction of Kenyans watch the state-run Kenya Broadcasting Corporation. Even fewer see the private Kenya Television Network, only viewed in the Nairobi area.

With their ritualistic opening to most news broadcasts – "his excellency President Daniel arap Moi today ..." – neither is a bastion of free speech. When KBC switches to the BBC's World Service television or KTN hooks up to CNN, the US television news organisation, sensitive items on Kenya are slashed.

Critical journalism is the prerogative of the print media, in the form of the hard-hitting Daily Nation and East African (both owned by the Aga Khan), Economic Review and The People. But distribution only reaches big towns and readership is confined to a literate, urban public.

As in most African countries, the only medium penetrating every village is the radio, listened to by more than two-thirds of adults. This is where the government's hand is most evident, in the range of vernacular services offered by KBC.

Licensing of potential rivals is very slow. The Media Institute estimates that the government is sitting on 103 applications for television broadcasting licences and 43 applications for radio licences. With the exception of the BBC, which recently won permission to broadcast its Swahili and Somali service on FM, the handful passing the test offer the blandest of fare.

The problem has dragged on for so long that members of Kenya's opposition play with the idea of setting up a pirate radio station on a vessel floating in the Indian Ocean.

When criticised by western donors, the government points to the range of nominally independent newspapers, radio and television stations.

But the reality of who calls the shots at KTN, for example, was recently made very clear.

When riot police cracked down on demonstrators calling for constitutional reform on July 7, KBC read a government message thanking Kenyans for not joining the protests. KTN showed police breaking down doors and clubbing women with children strapped to their backs. The following day KTN's head of news and his deputy were summoned by the board.

The dressing down, which culminated in the two being temporarily suspended, was delivered not at the KTN offices, but at State House, in front of President Daniel arap Moi.

SPONSORSHIP

Olympic master stroke

The US sponsorship deal announced last week between General Motors, the NBC broadcast network and the US Olympic Committee has broken several records.

Its total value is not yet clear, because this depends on the ultimate cost of the advertising space GM has reserved with NBC, which owns the US broadcast rights to the next three summer Olympic games until the year 2008.

But officials close to the deal have conceded that the total cost will probably approach $1bn (£600m) over the life of the contract, making it the largest and the longest sponsorship in sports or broadcasting history.

NBC has guaranteed GM it will be the only domestic car and truck advertiser in all Olympic telecasts until 2008. At the 2000 Sydney Olympics, GM will also sponsor daily five-minute vignettes by Dick Emberg, one of the network's top commentators.

It has also been offered guarantees on advertising space for Olympic-related programming. It will sponsor a documentary series on the Olympic movement in the run-up to the 1998 winter games in Nagano, Japan.

The deal is designed to address several of the criticisms made by sponsors of the Atlanta Olympics, where the organisers often spread sponsorships among competitors in the same industry.

Jed Pearsall, president of Performance Research, a sports marketing research consultancy, says: "I think the Atlanta organisers were a little too aggressive in cutting the slices too thin."

A further problem was that non-sponsoring companies took television advertising time which gave the impression they were sponsors. Polls after the last games asking consumers to name Olympic sponsors found non-sponsors, such as Pepsi-Cola and Nike, ahead of companies which had paid $40m to the organisers.

GM's theory is it will improve recognition by committing itself to a long-term sponsorship, with guarantees of advertising space. According to Phil Guarascio, GM's vice-president for marketing in North America, the company wants to combat "increasing fragmentation in consumer audience".

The GM deal underlines the popularity among big companies for broadcast sponsorships, especially those linked to sport. In the UK, Ford has a deal with BSkyB, the satellite broadcaster, to sponsor a package of top sports. Retail group Littlewoods recently signed a deal to sponsor all of ITV's coverage of the FA Cup.

Mark Wood, commercial director at Sky Sports, says broadcast sponsorships are a more effective way of getting across a message than simply taking out advertising airtime during the events.

He says: "You're not in the break, you're in the programme. You're less likely to be zapped and viewers remember you more, so it creates greater awareness."

But Chris Meredith, director of sponsorship consultants CSS, says programme sponsorship is not always all it is cracked up to be.

"You don't get direct access to the event, so the peripheral benefits from event sponsorship – such as hospitality, sampling and access to teams – are not delivered through broadcast sponsorship. It can be just glorified advertising. It all depends how it's used."

John Authers
Patrick Harverson

LOCAL RADIO

Medium ripe for development

Peter Dawe has a message: local radio in the UK is hugely under-exploited.

Dawe, a Cambridge-based internet entrepreneur, made a fortune of £36m ($59m) when he sold his creation, Unipalm, specialist builder of computer data links, to UUNet nearly two years ago.

He then played an instrumental role in setting up the Internet Watch Foundation, a non-profit-making body which seeks to track down criminal users.

Now aged 43, he resurfaced recently at the Radio Academy Festival, the annual talking shop for the UK radio industry.

Dawe told a conference session that local radio, which has expanded to nearly 200 stations over the past decade, is an undervalued medium, as ripe with potential as the internet was a few years ago.

He sees it as the linchpin in constructing profitable community-based multimedia companies because of its low-cost simplicity and immediacy. He has set aside £3.5m of his own fortune to test out the commercial viability of his experiment.

"People and the media should be more rooted in places. People's willingness to move for jobs destroys communities," he says.

"I have given up the internet. It just didn't attract me any more. It is basically still a business-to-business tool, not a consumer medium."

This year Dawe Media, his private company, acquired KLFM, a loss-making local station in King's Lynn from GWR, owner of Classic FM. Dawe turned it around by cutting advertising airtime and insisting its coverage was local.

He and his partners have secured the desirable Cambridge Community Radio FM franchise with a "promise of performance" to involve the community closely.

The station starts in November and will rely heavily on volunteers.

"We will use a lot of cheap labour but organising it and making sure the programmes are good enough: that is our contribution."

He is a mixture of idealist and sharp commercial operator. He believes commercial radio operators have been unadventurous in devising new formats. For example, one of his controversial proposals for Cambridge Community Radio is to cover costs by charging a fee for access to the presenter's seat, so members of the public can take a turn at being a broadcaster for an evening.

Dawe Media has just started an embryonic local television channel, largely staffed by volunteers, on Cambridge Cable, operated by Comcast.

Maggie Brown

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Tim Jackson · On the Web

When it can pay to listen

Here is a question for anyone who listens to talking books on tape. If you were offered a gadget, three months from now, which is a bit like a cassette player but has sound quality somewhere between a telephone call and long-wave radio, would you pay $200 (£125) for it?

Donald Katz, an entrepreneur in New Jersey, believes the answer is yes. He is betting a company, with 35 employees and several million dollars of venture-capital funding, on his hunch.

The company, Audible Inc, plans to launch its player in the autumn. I haven't handled one, but the picture on its web site *(www.audible.com)* shows a stylish black box, weighing under 4oz, which can store audio downloaded from the internet to a personal computer.

You put the player into a special base unit connected to the computer, and transfer the audio recording from the PC to the player by pressing a button. The audio can then be played through headphones, by a household stereo through a connecting jack, or in a car.

Because most car stereos don't have an input slot, the player finds an unused FM frequency and uses it to transmit the audio signal.

Katz, a former journalist at *Rolling Stone* and *Esquire* magazines and the writer of business books on Nike and Sears, had the idea that led to Audible two years ago. He started from two premises, which both proved correct.

One was that a broadband network for delivering cinema-quality video or CD sound was further away than most pundits thought in 1995; the other was that web-based businesses that relied solely on advertising revenues to cover their costs would prove slow to succeed.

Katz's conclusion was that there was a market opportunity to use the internet to "disintermediate" a particularly inefficient and fragmented medium – the market for talking books.

With more than 140 companies selling talking books, high prices averaging more than $16 in the US for a three-hour abridged version on cassette, and few outlets offering more than a tiny selection of titles, talking books seemed ripe for distribution over the web.

Audible's web site lists some of the 10,000 titles the company claims to have signed up.

Besides talking books, high-priced business information is another possible revenue earner for Audible. Businesses might pay Audible a few hundred dollars a year for news specific to their industry, including information from newsletters, conference speeches and legislative hearings.

Katz points out that 84m Americans drive to work alone every day – while only 11m US households buy books on tape. There is a vast unaddressed market for the sale of information.

Whether Audible can address this market will depend on the quality of its content and its ability to execute. But the straight talking-book market raises a more interesting question. The business rationale for publishers is easy to see. Even if the publishers receive under half the average $7 Audible expects to charge for each book, Katz claims they will make more money per sale than the net profits they make from distributing books through the Book-of-the-Month club.

There are three attractions for customers: low prices, instant delivery over the web and very wide choice.

The difficulty lies with the Audible player. Thanks to Tim Mott, a veteran of the computer industry, Audible has been able to shrink the size and price of its box.

But it has to contain a lot of technology: computer memory, updating facilities, audio circuitry, transmission circuits and the hardware to interface with a PC. Katz expects the box off the Audible web site to retail for $200.

He says early adopters are willing to pay heavily for new gadgets, citing the prices of $1,700 and $2,500 at which the first VCRs and cellphones were sold.

But these gadgets offered users dramatic improvements which the Audible player arguably lacks. To compress the audio to the point where a two-hour segment can be downloaded off the web using a standard modem in 10 minutes, the player compresses the voice signal to take up only 5.4 kilobits per second – comparable to a GSM mobile phone, and worse, as Katz admits, in sound quality than AM radio.

To make matters worse, you can't carry the tapes on a long car journey: after playing for two or three hours, the Audible player has to be slotted back into its base station for fresh material, which overwrites the old copy.

I feel Audible would succeed by abandoning any idea of making money from the player. It should license the hardware technology to all comers at a zero or even negative royalty for the first year, and rely on recurring revenues from the content itself to pay the bills.

Katz disagrees although he is willing to consider giving the boxes away to customers who commit to spending $25 a month on content.

But only his investors have the information on which to take an informed view. The rest of us will just have to wait and see.

tim.jackson@pobox.com

مكذا من الأصل

MARKETING / ADVERTISING / MEDIA

BRANDING

A genius for publicity

Virgin is identified with its founder, but must learn to stand on its own, says Alison Smith

As soon as Richard Branson talks about the Sherman tank Virgin Cola intends to send into New York's Times Square to mark the main launch of the drink in the US, it seems inevitable the Virgin chairman himself will be in its driving seat.

"Somewhere like America, you have to do larger-than-life things," he says. "If our staff have been working enormously hard and I can help put the icing on the cake, I shouldn't be too coy about doing it."

The plans for expanding the cola in the US over the next year highlight important questions about the extent of the Virgin brand's elasticity and its relationship with its creator.

A complicated picture of the brand has emerged since Branson set up the first Virgin mail order operation and record shop more than 25 years ago. It includes licensing agreements, a variety of joint ventures and the sale of Virgin Music to Thorn EMI in 1992. That sale means Branson cannot use the brand name in the record business, and has set up V2 instead.

Virgin has confounded much marketing opinion by the diversity of its branded businesses, which range from the airline to financial services, cinemas and rail. In October its retail cosmetics operation will launch under the name "Vie" and next spring it plans to launch a range of clothing.

The move into cosmetics and clothing might seem to have been a more immediate choice than some of the other businesses, given that the brand's roots lie in music that appeals to the youth market.

But M T Rainey, a managing partner of Virgin's main ad agency Rainey Kelly Campbell Roalfe, says that to make marketing sense of Virgin's businesses, you have to see the group based on reputation rather than image. This is particularly so since the years following the launch of the airline in 1984 have given Virgin the opportunity to develop its customer service skills.

"Virgin has a reputation for being innovative and taking on large, lazy competitors," she says. "If your products match that reputation, you can swap between vastly diverse businesses."

Although Virgin's interests are already varied, Branson is considering other businesses, including banking and credit cards. "Telecoms is another industry it would be foolish for us not to explore," he says.

But success in the face of those who argued that the foray into, say, financial services would not work, does not mean the brand is without no-go areas.

There are businesses Branson will not go into for moral reasons or fear of damaging the brand. He gives the example of cigarettes in order not to encourage young people to smoke.

Other limits come in markets where Virgin's reputation for shaking up a sector to the customer's benefit would not apply. Rainey says that in many types of fast-moving consumer goods (though she excludes cola), customers do not appear generally dissatisfied with the range of choice, nor are they at the mercy of a few big, unsympathetic suppliers. Therefore it would be harder for Virgin to make an impact.

Others wonder whether these boundaries to the brand's power will apply in the clothing venture it plans: clothes manufacture does not have the hallmarks of a market in need of reinvention. The Virgin brand may seem more like a badge than a genuine sign of innovation.

The B[illegible] empire

Virgin [illegible] Group
Includes [illegible] Megastore and the Virgin Trading Company

Virgin Travel Group
Includes Virgin Atlantic Airways, Virgin Aviation Services, Virgin Holidays and Virgin Express

Virgin Direct Personal Financial Services
Joint venture

Virgin Radio
The deal in which Capital would acquire Virgin Radio and Virgin would have a 14 per cent stake in the enlarged group has been referred to the Monopolies and Mergers Commission

Virgin Communications

Virgin Cinemas
Joint venture

Virgin H[illegible] Group

Voyager [illegible]
Venture capital and management company which develops new projects and operates a number of stand-alone companies. Includes Virgin Group Ltd which is responsible for Virgin's 17 per cent stake in London & Continental, operator of Eurostar

Virgin Rail Group
Controls two 15-year UK rail franchises

V2 Records
Set up following the sale of Virgin Records in 1992

Victory Corporation
Virgin is a shareholder in this venture – floated in October 1996 – as the holding company for Virgin cosmetics and casual clothing businesses

Risk to the brand may occur even where businesses fit squarely in the group's plan of entering markets to revolutionise, because of the difficulty meeting customer expectations that Virgin will make a difference.

In the two rail franchises the group recently won, for example, about nine in 10 staff have transferred from British Rail, and new rolling stock is not immediately available.

Virgin is refurbishing existing trains, trying to bring former BR staff into its corporate ethos and seeking to manage customer expectations. Branson is confident about where the rail services will be in a few years, but acknowledges the danger to the brand from the time lag.

He also admits that in the group's cinema operation, which acquired MGM cinemas in 1995, "we put the Virgin name on some of those cinemas perhaps slightly sooner than I would have liked".

It is clear that what Branson likes dominates the group. His personality still runs through it, and his genius for publicity – from a readiness to dress up in public to an ability to exploit opportunities such as flying the Union flag dumped by British Airways – still dominates the group identity.

An NOP opinion poll for the magazine *PR Week* in 1994 found that though Virgin was known by 93 per cent of the public, Branson was known by even more – 97 per cent. Within the group, the positive view of Virgin reported in the poll is credited with prompting Branson to see more clearly how to develop the brand.

Though Branson's high profile is a cast-iron way of commanding attention, he does not feature much in advertisements for Virgin businesses. According to Rainey, Branson is indivisible from the brand and therefore it is unnecessary to use him in the advertising. The role for the advertising is to present the products on their own merits.

But Branson has appeared in an ad for Virgin Direct, the joint venture which entered the personal financial services market in 1995.

Martin Campbell, in Virgin Direct's marketing department, says Branson enabled the venture to achieve an instant impact. He knows that in the operation's plans to reach a new audience, less interested in financial services, mobilising Branson would immediately get attention. But he believes the business must avoid being too closely identified with the individual.

"People investing pension money need to feel comfortable and secure for the long term," he says. "We are going to exist for 200 years, and clearly Richard isn't."

Branson's own view is that while his presence will continue to be valuable at the launch of businesses, particularly outside the UK, the brand itself is well established in most cities across the world.

However true that is now, finding the right distances between Branson and his branded businesses will be one of the keys to the group's future success.

An opinion poll in five years' time which showed that Branson still had a higher profile than Virgin – even if, as in the 1994 survey, his character was a reason for choosing the brand – would be a sign not of a trick available for the taking, but of a trick missed.

PACKAGING

Philips has bright idea

Philips Lighting relaunches its entire consumer product range in the UK this week in an attempt to respond to the "emotional values" consumers associate with one of the most functional of household products: the light bulb.

Philips Lighting, a subsidiary of the Dutch electronics group, hopes to increase its 35 per cent share of the market in Europe by differentiating its products from its rivals', explains Guy Harrison. He is creative director of Innovators, the packaging consultancy which, with design and brand identity specialist Landor, redesigned the Philips range.

The product line was large and uncoordinated, he explains. "Packaging varied in quality and colour from country to country suggesting to retailers and consumers that Philips was not in control of its brand."

Without a cohesive design, shop shelves looked bland and boring, adds Alison Cave, Landor's senior design director. "There were few visual cues to help shoppers easily find what they wanted."

The Philips' strategy was shaped by research into consumer requirements and responses to the brand and its products. The findings revealed shoppers' emotional responses to lighting. "Light was associated closely with the sun and with the role it has shaping our responses to the world around us, such as through colour, and our emotional well-being," Cave explains.

By cultivating these emotional values, the aim was to give Philips an edge over its competitors whose products are packaged and sold as a functional commodity. Landor created an umbrella branding device and streamlined the diverse product range into seven sub-brand groups.

"The Philips logo was sacrosanct, but we were able to develop a box in which the logo could sit on-pack alongside a visual symbol – a hand holding a bright light – giving the product a human touch," she says.

Landor also developed six new sub-brand names inspired by one of the original names, Softone, which was used throughout Philips' softer, atmospheric lighting range.

All other products were streamlined into the new sub-brands: *Classictone* for functional lighting; *Spotone* for spot or highlighting; *Ecotone* for energy saving lighting; *Holotone* for bright lighting; *Practitone* for lighting for specific appliances, such as work lights, and *Partytone* for coloured lighting.

Meg Carter

Ad in the News · BNFL

Sellafield in soft focus

Why do companies like British Nuclear Fuels advertise? It can't just be to persuade us to visit sunny Sellafield. BNFL's new 80-second television commercial would be a very expensive way of bringing in relatively small-scale tourist traffic to the former Windscale nuclear plant.

We are soon given a clue. Among images of explosions, ballerinas and colour spectra are idyllic rural scenes set against a classical music backdrop. We are being set up for the kind of corporate "environmentally friendly" claims that were popular in the early 1990s.

The ad begins with a sequence of matches being lit against a backdrop of shiny futuristic buildings. As explosions and implosions follow, a voiceover asks: "What kind of science can take a fuel, burn it and turn the ashes back into fuel to burn again?"

This clever science is compared to a prism separating light out into its component colours. To demonstrate this, ballerinas spin against a theatre-set backdrop of the colours of the rainbow.

The ad then tells us that of the 3 per cent of fuel used in the process which is left as waste, most is cased in concrete or steel or turned into glass.

If we haven't yet got the message as to how extraordinarily safe BNFL's recycling processes and end product are, the obligatory shots of mountains, fields, lake and sea follow, before images of children using interactive technology to learn more about this "science" back at Sellafield.

Much time, money and skill have gone into this commercial, and it shows. It is visually intriguing and stimulating. The images draw the viewer in; we want to know what is going on.

But that intrigue is dashed by the heavy-handed soundtrack; both through the clichéd specially composed music and successive portentous voiceovers.

How many commercials are ruined this way – their serious intent floundering on overbearing voiceovers that create the opposite impression to that intended? Where do ad agencies find such voices? What do this ad's creators have in mind, particularly with the female voices? Charitably, we might assume they are trying to suggest a soothing mother-child dialogue.

Anyone who finds this too ridiculous has not attended an advertising pre-production meeting, in which the agency tries to explain to a bemused client how it plans to spend their £500,000-plus production budget.

But let us not be too hard on the agency. One wonders what its brief was – the ad tries to do so many things at once. And yes, in case you're wondering, at the end BNFL does invite us to come and visit Sellafield.

Stefano Hatfield

The author is editor of Campaign.

BUSINESS TRAVEL

Travel Update · Roger Bray

Close to capacity

Booking a seat on the flight you want continues to get tougher. New figures from the Association of European Airlines, which represents most of the region's main carriers, show aircraft have been flying so full on some routes they are approaching saturation point. Load factors – the proportion of seats filled – hit a monthly record in June. Flights within Europe departed 68 per cent full on average, up 3.1 per cent on the same month last summer. Services to South America were 77.8 per cent full, a rise of 6.3 per cent, and on flights to the North Atlantic the average rose by one point to 84.9 per cent.

BA goes online

Internet surfers around the world can now book and pay for British Airways flights online (*www.british-airways.com*). A service which was previously limited to UK customers reserving discounted seats has been expanded to cover passengers in the rest of Europe, North America, Africa and the Far East. In the UK, US, Canada, France, Germany, Norway, Sweden, Denmark, Finland, Singapore and South Africa they can book any flight by BA or its code-share partners and pay using a credit card.

Room for work

Offices on the road – special rooms equipped with everything from printers to paper clips – have been launched by Inter-Continental Hotels. They are available already at hotels in the US, Canada and Seoul, the Korean capital, and the chain plans to introduce them worldwide. It polled 6,000 business customers to see what they wanted. The result is five-star rooms containing the Hewlett-Packard Office Jet Model 300 workstation combining printer, fax machine and copier, compatible with most laptops.

Duo down under

Business in Australia? Take your partner. London-based Trailfinders is offering business class to Sydney for £1,993 ($3,269) return – provided two travel together. Flights are with Air New Zealand and stopovers are permitted both ways in Los Angeles but you must book by the end of this month. Tax will be an extra £25.70 a head until November 1, when a rise in the UK's air passenger duty will push it up to £35.70.

Fewer flights

Fierce competition has prompted a cut in the number of flights between Oslo and Stockholm. Fares tumbled when Norwegian airline Braathens joined battle with SAS between the two capitals nine months ago. From August 18, Braathens will drop two of its usual seven daily services and co-ordinate schedules as part of a code-sharing deal on the route with Finnair.

At your service

Guests at Vienna's palatial Imperial Hotel, which has hosted celebrities and crowned heads from Oscar Wilde to King Hussein of Jordan, may now book the services of a personal, tail-coated butler. There are two provisos: you must book an Imperial room, which is the equivalent of a junior suite, or something larger, and you must pay the full rack rate, which starts at Sch7,500 ($580) a night. The butler will unpack and pack your bags, serve you tea, take you shopping for antiques, fix you a dry Martini and even iron a couple of shirts.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	30	28	29	30	30
Hong Kong	30	30	30	30	29
London	24	28	29	28	27
Frankfurt	28	29	28	28	28
New York	24	24	24	24	25
L Angeles	29	30	28	29	29
Milan	33	28	28	28	27
Paris	32	32	30	27	27
Zurich	27	27	25	24	23

Information supplied by Meteo Consult of the Netherlands

Maximum temperatures in Celsius

BEIRUT
DAMASCUS
Amman
0345 320100
BRITISH MEDITERRANEAN AIRWAYS

Tell your doctor of your plans

There is more to protecting your health than just getting a vaccine, says Victoria Griffith

More executives are travelling to exotic places these days – and all this activity is troubling to physicians and health officials.

"The problem is that many travellers just look at what vaccinations are required for entry into a certain country," says Barbara McGovern, a professor of medicine at Tufts University, outside Boston, in the US. "But they really should be talking to their doctors in detail about their travel plans."

The following list of general recommendations is based on information from the Centres for Disease Control (CDC), the US government authority on contagious diseases:

● **Consider the region, not just the country, you'll be travelling to.**

While the yellow fever vaccine is deemed unnecessary for trips to urban centres like Rio de Janeiro or São Paulo in Brazil, it is probably a good idea if you're going to Manaus, a town in the middle of the Amazon jungle.

Remember that restricting itineraries to big cities is no guarantee of safety. Some diseases – dengue fever for instance – are more prevalent in urban areas.

"And malaria is a problem all over sub-Saharan Africa – in the cities too," says Paul Sax, a physician at Brigham and Women's hospital in Boston.

● **Take your profession into account.**

Rabies shots, considered unnecessary for most travellers, are recommended for veterinarians on a business trip to the Caribbean.

The hepatitis B vaccine, rarely administered to tourists, may be advised for travelling health professionals, who run a greater risk of coming into contact with an infected needle.

● **Make sure your doctor knows when you will be leaving and how long you will be staying.**

Take the case of Japanese encephalitis. Because it is transmitted by mosquitoes in infected areas, the chance of contracting the disease depends on how many times you are bitten. The longer you stay, the more bites you're likely to get.

"If someone is travelling to a rural area in south-east Asia and will be staying for less than a month, we don't usually recommend a shot for Japanese encephalitis, because the side-effects can be serious, and the chance of catching the disease is small," says McGovern. "But for longer stays, it may be a wise precaution."

The timing of the trip is also important because some diseases – bacterial meningitis, for example – are more prevalent during the wet season.

Physicians should be given sufficient warning to schedule appropriate vaccines. Several rounds of injections may be required. It is probably not a good idea to receive a vaccine with potential side-effects the day before setting off because it could make the trip extremely unpleasant.

● **No matter how 'civilised' a destination sounds, there are almost always health risks.**

The CDC, for instance, recommends hepatitis A vaccines for travel to southern Europe. In the north-eastern part of the US, Lyme disease – an inflammatory illness transmitted by deer ticks – is becoming increasingly common, even in suburban areas.

● **Red tape matters.**

In the event of an outbreak of yellow fever, you will not be allowed to leave the area – even if you have had a vaccine – without a certificate to prove you are protected. Certificates are also required to enter and leave certain countries, particularly those in tropical areas of South America and Africa.

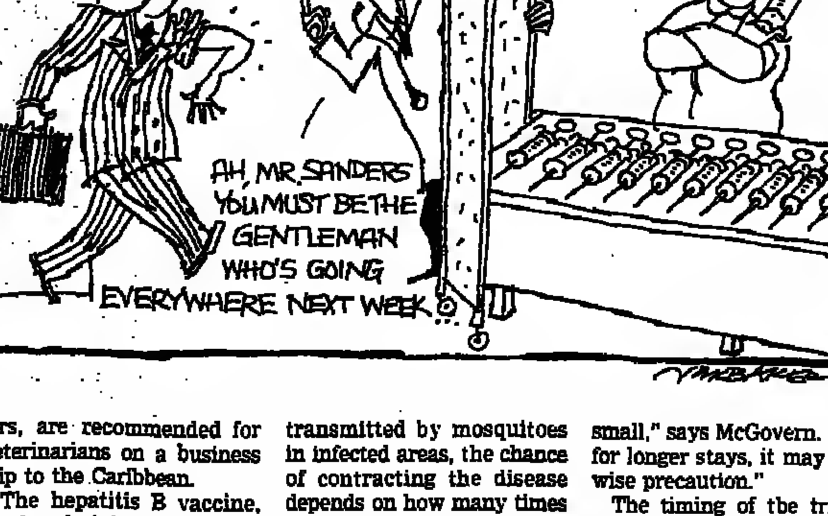
● **Consider other forms of protection as well.**

"The best defence against malaria is probably plenty of bug spray, and a good mosquito net," says Queen Barnes, who heads the travel clinic for the Harvard/Pilgrim insurance group.

● **Do a little research.**

Ask your physician about new vaccines, and find out if there have been outbreaks in your destination area.

One good source of information is the CDC internet site; the address is *http://www.cdc.gov*. The page provides news on outbreaks around the world, and offers detailed health recommendations for travel to specific regions.



Scheherazade Daneshkhu on plans to build more top-quality hotels in Europe

The race for rooms

Business travellers will be encouraged by the news that competition between the world's largest hotel groups to open more four-star and five-star hotels in Europe is accelerating, according to a recent report.

International hotel groups plan to add 19,000 rooms in Europe within five years – a 12 per cent increase in supply, according to Christie Consulting, part of the London-based surveyors and valuers group.

Almost half the 11 hotel groups surveyed said they would open hotels in northern Europe, with seven targeting France and Germany while six said they were concentrating on Russia and Italy. The 11, which include Four Seasons, Hyatt, Hilton, Holiday Inn, Sheraton, Inter-Continental and Marriott, represent 88 per cent of international branded rooms in Europe.

"However, over the next five years the distribution of internationally branded rooms is expected to change little as development across all four regions – northern Europe, southern Europe, eastern/central Europe and Scandinavia – is broadly in proportion to existing stock," says the survey.

Hotel developers are searching for prime city locations with Moscow heading the list of priorities, followed by Paris, Kiev, St Petersburg, Prague, Kraków and Warsaw.

London, which has the largest number of international hotel groups, will have 42 branded hotels with 11,832 rooms by 2002. Paris, with a projected 35 hotels, is the second most represented city.

Most hotels groups are seeking to expand through management contracts, with many prepared to invest equity to secure a contract.

Inter-Continental, which has the largest supply of hotel rooms in Europe, looks set to strengthen its lead over rivals, according to Christie, with 18,000 rooms in Europe by 2002.

Sol Melia, the Spanish chain which floated on the stock exchange last year, is the most ambitious, with plans to treble its presence in Europe.

Marriott Hotels, which gave the master franchise in the UK to Whitbread, is expected to leapfrog Granada Group's Le Meridien chain to become the seventh largest group in Europe.

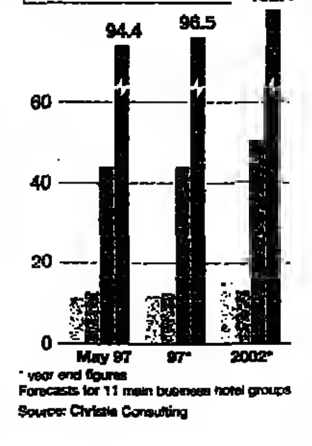
According to Geoff Parkinson, managing director of Christie Consulting, the 12 per cent expansion programme is not as rapid as some commentators have predicted. "This is due to a number of factors, including the significant amount of investment required to develop four/five-star hotels, the lack of available, central sites, competitive market pressures and the length of time it takes to open a new hotel," he says.

By contrast, budget hotels, such as Granada's Travelodge and Whitbread's Travel Inn, have been able to increase their coverage rapidly because of the smaller investment required and the availability of sites at the groups' restaurant operations along motorways.

Christie Consulting International, 0171 227 0789

European hotel development

Room supply ('000)



* year end figures
Forecasts for 11 main business hotel groups
Source: Christie Consulting

BUSINESS EDUCATION

Della Bradshaw examines a scheme which was set up to help European businesses export to Japan

The first step to understanding

There are no two ways about it: Philip Thacker is a fan of all things Japanese, not least of Japanese business.

First, he spent seven years working on mergers and acquisitions "Japanese style" for Sakura Bank at its European headquarters in London. ("The word hostile did not come up," he confides.)

Then, as vice-president of international business development for Maid, the entrepreneurial business information database company, he spent 18 months studying and building up contacts in Japan on the European Commission's executive training programme.

The investment by Maid in the programme certainly paid off. Thacker's stint in Japan finished on November 30 last year and the following day he returned to the UK with two representatives from Fujitsu, the giant computer company. By April the two companies had signed a multi-million pound deal for Fujitsu to distribute Maid services in Japan.

Thacker was one of 41 Europeans who were selected by the Commission to go to Japan in May 1995 on the annual ETP scheme, which was established to encourage European companies to export to Japan. The scheme has been in operation for 16 years and up to 70 business people take part each year.

All 15 EU countries participate, although the strongest contingents are from Germany and the UK – on this year's scheme places have been allocated for 15 or 16 German participants and 13 from Britain.

Other participants on Thacker's programme were from backgrounds as diverse as food processing, investment banking, agriculture and the law.

The Commission is particularly keen to encourage applicants from small and medium-sized companies and pays for the cost of the programme to the tune of £80,000 ($130,400) to the first participant from each company.

This year, for example, John Patrick, the ETP representative in the UK for PA Consulting, which runs the scheme for the Commission, believes at least one family firm will send a son or daughter to Japan. "That would really change the direction of the company," says Patrick. "It's very exciting."

The first year of the 18-month programme is intensive Japanese language training and is "very, very tough, something of a marathon", reports Thacker. "The language is very hard."

Nonetheless, it is enough to get the aspiring international business person started, he believes. "I decided to concentrate on understanding the spoken language for business use."

The last six months are spent making contacts with companies and building up relationships. "What was good for me was not having to learn some of the basics, so I could move more quickly into building relationships," says Thacker.

That aside, Thacker believes all participants can benefit. "The main issue is that the ETP is a space, it's an opportunity. What you make of it is up to you."

Living in Japan provides the space to learn the language and develop business

Patrick points out that doing business with Japanese companies opens up business opportunities beyond Japan. "What this can give you is a bridge to Japanese companies in the Pacific Rim – Thailand, Malaysia, even China."

The scheme as a whole has undoubtedly brought good business results, although not all companies are as successful as Maid. Research carried out by PA Consulting shows that 76 per cent of participating companies increased their turnover with Japan, while 77 per cent had successfully applied ETP skills within the company.

Maid has now sent Thacker off on a two-year secondment to the UK's Department of Trade and Industry. There he will promote UK exports – to Japan.

NEWS FROM CAMPUS

More seminars for the top dogs

Senior executives are being given the opportunity to meet and discuss hot topics with peers from other organisations as well as senior IMD faculty at a three-day seminar being organised by the Lausanne-based business school. The first Senior Executive Forum will be held in February 1998 and will look at the issue of creating and managing rapid internal growth.

The forum is intended for chief executives of smaller companies or members of the top management team in larger organisations.

● Top level board members are also the target group of a five-day workshop to be run in November by Manchester business school. The Winner's Retreat International Forum will be held at Ascot.

The aim of the programme is to provide delegates with the latest tools and expertise to deal with the demands of a global business.

IMD: Switzerland, 21 6180111; MBS: UK, (0)161 275 6333

Diploma for franchise folk

Managers who aspire to have their own franchise business are now being given their own diploma course at the Middlesex University Business School, in north London.

The two-year, part-time diploma is being supported by the British Franchise Association.

Mubs: UK, (0)181 362 5000

Exhibition time comes around

European MBA exhibition organisers are already setting out their stalls for autumn events in Europe.

The Kaplan organisation, which specialises in coaching potential students through the GMAT test, is putting on exhibitions in Amsterdam, Munich, Geneva and Paris from November 8 to 15.

Paris-based MBA Events is organising a similar tour, starting in Paris on November 29 and visiting Madrid, Milan, Berlin and London.

Kaplan: France, 1 45 66 55 33; MBA Events: France, 1 40 75 02 36

CONFERENCES & EXHIBITIONS

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SEPTEMBER 4-5
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A New Statesman/LSE Conference
A major conference to examine how Labour intends to deliver on key areas of policy during its first term of office. Speakers include:
The Rt Hon Dr Gordon Brown MP, Adair Turner and Howard Davies.
Contact: Neil Stewart Associates
Tel: 0171 222 1280 Fax: 0171 222 1278
LONDON

September 10 & 11
FT World Motor Conference
This major automotive conference brings together prominent figures to discuss recent developments in the international motor industry. *New speakers acceptances* include: Carlos Ghosn, Executive Vice President, Renault Group; Tuve Johannasson, President, Volvo Car Corporation; Nick Schaala, Chairman and Chief Executive, Jaguar Cars Limited; Peter Hellman, President and Chief Executive Officer, TRW Inc; Michael Dunne, President, Automotive Resources Asia Ltd.
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Financial Services and Computer Crime
A top level round table on combating fraud, malice and manipulation with a panel of officials, executives, forensic psychologists, consultants and academics. Offered in association with *the Centre for the Study of Financial* Innovation and with the assistance of Dr Solomon's. Contact: Cityforum: Tel: 01225 466744 Fax: 01225 442903
LONDON

SEPTEMBER 18 & 19
The Practicalities and *Technicalities of preparing for* EUROPEAN MONETARY UNION
This cutting-edge conference enables you to overcome the challenges, master procedures and maximise opportunities in the transition to a single European currency.
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Tel: +44 171 487 0707
Fax: +44 171 487 0715
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SEPTEMBER 30
Measuring Customer Service
An all day structured networking opportunity to share Customer Service issues with like minded professionals who want to learn 'best practice'. Key issue experts will start the discussion; then buzz groups of participants examine 'hot topics'. For this event and other customer service activities contact: The Customer Service Network Tel: 07071 887766 Fax: 01934 741113 Email: csn@customernet.com
LONDON

October 2 & 3
9th FT World Mobile Communications
Confirmed speakers include:
Stephen Pettit, Cable & Wireless plc; Tomas Duffy, Telia Telecom; Maximilian Ardelt, VIAG; Michael Short, Cellnet; Mrs Jan Peters, Managing Director, One 2 One; Mr Thomas Beijer, Chairman, UMTS Forum; Kiyoyuki Tsujimura, NTT Mobile Communications Network Inc; Allen Ma, Hongkong Telecom CSL.
Enquiries: Sian Fancourt
FT Conferences
Tel: +44 171 896 2626
Fax: +44 171 896 2696
e-mail: sianf@pearson-pro.com
London

Conferences & Exhibitions

OCTOBER 8-9
Turning Knowledge Into a Corporate Asset
The first European conference to take a hard look at how to quantify and evaluate intangible knowledge assets for measurable improvements in business performance.
Contact: Kate Jenkins at Business Intelligence
Tel: 0181 879 3355 Fax: 0181 879 1122
E.mail: kate.jenkins@business-intelligence.co.uk
LONDON

OCTOBER 13 - DECEMBER 1
FT-City Course
FT-City Course takes place over eight weekly afternoon sessions, providing an excellent introduction to the workings of the City of London. Authoritative speakers will include Mr Nigel Richardson, Yamaichi International (Europe) Limited; Mr Paul Dex, LIFFE; Mr David Coleman, CIBC Wood Gundy plc; Mr Clive Longhurst, Association of British Insurers.
Contact: Lucinda Roberts, FT Conferences
Tel: +44 171 896 2120
Fax: +44 171 896 2696/2697
Email: lucindar@pearson-pro.com
LONDON

OCTOBER 15-16
Strategic Skills for the Finance Function
This conference is specifically designed to *help Finance Directors develop the new* skills required to go beyond traditional finance activities and take on a broader, value-adding role within their organisations.
Contact: Kate Jenkins at Business Intelligence
Tel: 0181 879 3355 Fax: 0181 879 1122
E.mail: kate.jenkins@business-intelligence.co.uk
LONDON

OCTOBER 21-22
Corporate Agility 97
Corporate agility and resilience are key requirements to compete successfully in *the current climate of continuous change.* Recognised experts and leading organisations gather together to examine how best to implement, manage and support change for sustainable advantage.
Contact: Kate Jenkins at Business Intelligence
Tel: 0181 879 3355 Fax: 0181 879 1122
Email: kate.jenkins@business-intelligence.co.uk
LONDON

October 22 & 23
Commonwealth Business Forum
The Prime Ministers of Barbados, Canada, Singapore and the UK have already agreed to address this unique event, arranged on the eve of the 1997 Commonwealth Heads of Government Meeting. *The Forum will provide an* exclusive platform to develop further trade and investment within the Commonwealth. Industry contributors include Chairmen and CEOs from Ashanti Goldfields, Bajaj Auto, Eskom, Fletcher Challenge, Habib Bank, HSBC Holdings, New Africa Invesments, Singapore Power and Transfield Defence Systems.
Enquiries: Sarah Gibb
Tel: +44 171 896 2639
Fax: +44 171 896 2696/2697
e-mail: sarahg@pearson-pro.com
London

OCTOBER 27
The 2nd FT Diamonds Conference
Confirmed speakers include the Hon O Magang, Minister of Mineral Resources and Water Affairs, Botswana; Mr Stephen C Lussier, De Beers; Dr Joseph Lazarovich, Department of Indian Affairs & Northern Development, Canada; Mr Mike Mitchell, Argyle Diamonds, Mr Ashish K Mehta, Kantilal Chhotala and Mr Leon N Cohen, Codiam Inc.
Contact: FT Conferences Tel: +44 171 896 2639 Fax: +44 171 896 2696/2697
Email: lucindar@pearson-pro.com
LONDON

OCTOBER 27
The Balanced Scorecard
27 October 1997, Brussels
Activity-Based Cost Management
28 October 1997, Brussels
Robert Kaplan
Adding and Managing Economic Value
29 October 1997, Brussels
30 October 1997, London
G. Bennett Stewart
For full details please call Management Centre Europe
Tel: +32-2-543 21 00
BRUSSELS, LONDON

Conferences & Exhibitions

November 5 & 6
Investment Opportunities in Bangladesh
Organised by FT Conferences, and the Government of Bangladesh, this one and a half day event for CEOs will focus on infrastructural investment opportunities within the Bangladesh power, petroleum, telecommunications, water supply, transport and port facility sectors. The Forum will be opened by the Prime Minister of Bangladesh and speakers will include the Minister of Finance.
As invitations are limited you are strongly recommended to register your interest early.
Enquiries: Lucinda Roberts
FT Conferences
Tel: +44 171 896 2120
Fax: +44 171 896 2696/2697
e-mail: lucindar@pearson-pro.com
London

November 11 & 12
The 9th Annual FT Petro-chemical Industry Conference
Organised in association with Chemical Matters, this years' *confirmed speakers include*
Mr Bryan K Sanderson, Managing Director, BP Chemicals;
Mr Dan W Bolvin, President, NOVA Chemicals; Mr K G Ramanathan, Chairman, Indian Petrochemicals Corporation, Mr Howard Hornfeld, Programme Coordinator for the *Chemical Industry*, UNECE, *Mr* Wang Jiming, Chairman of the Board, Shanghai Petrochemical Company, Vice President, Sinopec; Mr Oliver Mizne, Chemicals and Petrochemicals Analyst, Banco de Investimentos Garantia SA.
Enquiries: Sarah Gibb
Tel: +44 171 896 2639
Fax: +44 171 896 2696/2697
e-mail: sarahg@pearson-pro.com
London

November 17
Managing for Value: Moving from theory to practice
Businesses now have to go beyond traditional financial measures to adopt new and innovative approaches to creating value. This conference will *explore how shareholder value* thinking is now being translated into a management discipline, leading to effective business results.
Speakers include:
Credit Suisse First Boston, Price Waterhouse, Lloyds TSB and the TI Group.
Contact: Nick Tribe
Tel: 0171 830 1154
Fax: 0171 931 0228
Email: njt@eiuldn.mhs.compuserve.com
Radisson SAS Portman Hotel, London
The Economist Conferences

NOVEMBER 17 & 18
Utilities in the New Energy Era
This conference will consider new corporate structures for energy and utility companies in the converging markets of the 21st Century, looking at the energy service company in practice: brand and shareholder implications in the trend to multi-utilities.
Contact: Lucinda Roberts, FT Conferences
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Fax: +44 171 896 2696/2697
Email: lucindar@pearson-pro.com
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November 20 & 21
FT European Economic Monetary Union
Focuses on the economic impact of EMU, the operational framework and the strategic implications for banks, capital markets and European based corporates. Speakers include The Rt Hon Kenneth Clarke QC MP; Mr Howard Davies, Deputy Governor, The Bank of England; Mr Gérald Pfauwadel, Matif SA; Mr John Kemp-Welch, London Stock Exchange.
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Fax: +44 171 896 2696/2697
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DECEMBER 1 & 2
17th FT World Telecommunications
Confirmed speakers include: Sir Peter Bonfield CBE, BT; Richard Brown, Cable and Wireless plc; David Twyver, Teledisc Corporation; John Sidgmore, UUNET Technologies; Reed Hundt, Federal Communications Commission; Andrew Sukawaty, Sprint PCS (USA); Don Cruickshank, OFTEL.
Contact: Sian Fancourt, FT Conferences
Tel: +44 171 896 2626
Fax: +44 171 896 2696/2697
e-mail: sianf@pearson-pro.com
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DECEMBER 3-5
Venture Forum Europe '97
The 8th annual Venture Forum, arranged by FT Conferences and Venture Economics, focuses on the latest information on funds and changes *in fund structures, the debt market, how* privatisation is fuelling investment in C&E Europe and how Europe is increasing its appeal to the US investor.
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FT World Pulp & Paper Conference
This international event will focus on key issues in the pulp and paper industry, their customers and solutions. Confirmed speakers include: Mr Bratt G Hutton, Chief Financial Officer, APRIL; Mr Masahiko Ohkuni, President, Oji Paper Co. Ltd; Mr George W Mead, Chairman of the Board, Consolidated Papers Inc.
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ARTS

OPENINGS

EDINBURGH
Pierre Boulez conducts the Gustav Mahler Jugendorchester in the opening concert of the Edinburgh festival on Sunday. This year's programme has major contributions from Valery Gergiev (right), who conducts the Kirov and Rotterdam Philharmonic Orchestras, and Mark Morris, who stages the Royal Opera's new production of Rameau's *Platée*. Peter Stein brings his Salzburg production of *The Cherry Orchard*, and French Wunderkind Stéphane Braunschweig directs the Nottingham Playhouse in *Measure for Measure*. Other visitors include Karita Mattila, Bryn Terfel and the San Francisco Ballet.

One of the world's most stunning female portraits, "Lady Agnew of Lochnaw" by John Singer Sargent, is the centrepiece of an exhibition tracing Sargent's development as a portrait painter. It opens at the National Gallery of Scotland on Friday.

PESARO
Moïse et Pharaon, the Paris version of Rossini's Moses opera, promises to be the highlight this summer at Pesaro. It opens on Saturday in a staging by Graham Vick, with designs by Stefanos Lazaridis. The festival runs till August 24, with performances of *Il barbiere di Siviglia and Il signor Bruschino*.

LONDON
Tonight at the Proms, Leonard Slatkin conducts the BBC *Symphony Orchestra and BBC* Singers in the world premiere of *US composer Roger Reynolds's The Red Act Arias*. The piece combines live sound with recordings of orchestra and singers that will surround the audience with music. On Sunday afternoon, Evgeny Kissin gives the first ever solo recital at the Proms.

For his latest play, *Life Support*, the playwright Simon Gray is employing, as often before, his friend and long-term colleague Harold Pinter, and his long-term actor Alan Bates

(above, right). The cast also includes Nickolas Grace, Carole Nimmons, Georgina Hale (above, left), and Frank McCusker; the production opens tomorrow.

... *Ideal Husband* returns to the West End for its third season. The cast this time will include ... Simon Ward, and ... Dulcie Gray. The production ... on Wednesday ... Royal Haymarket.

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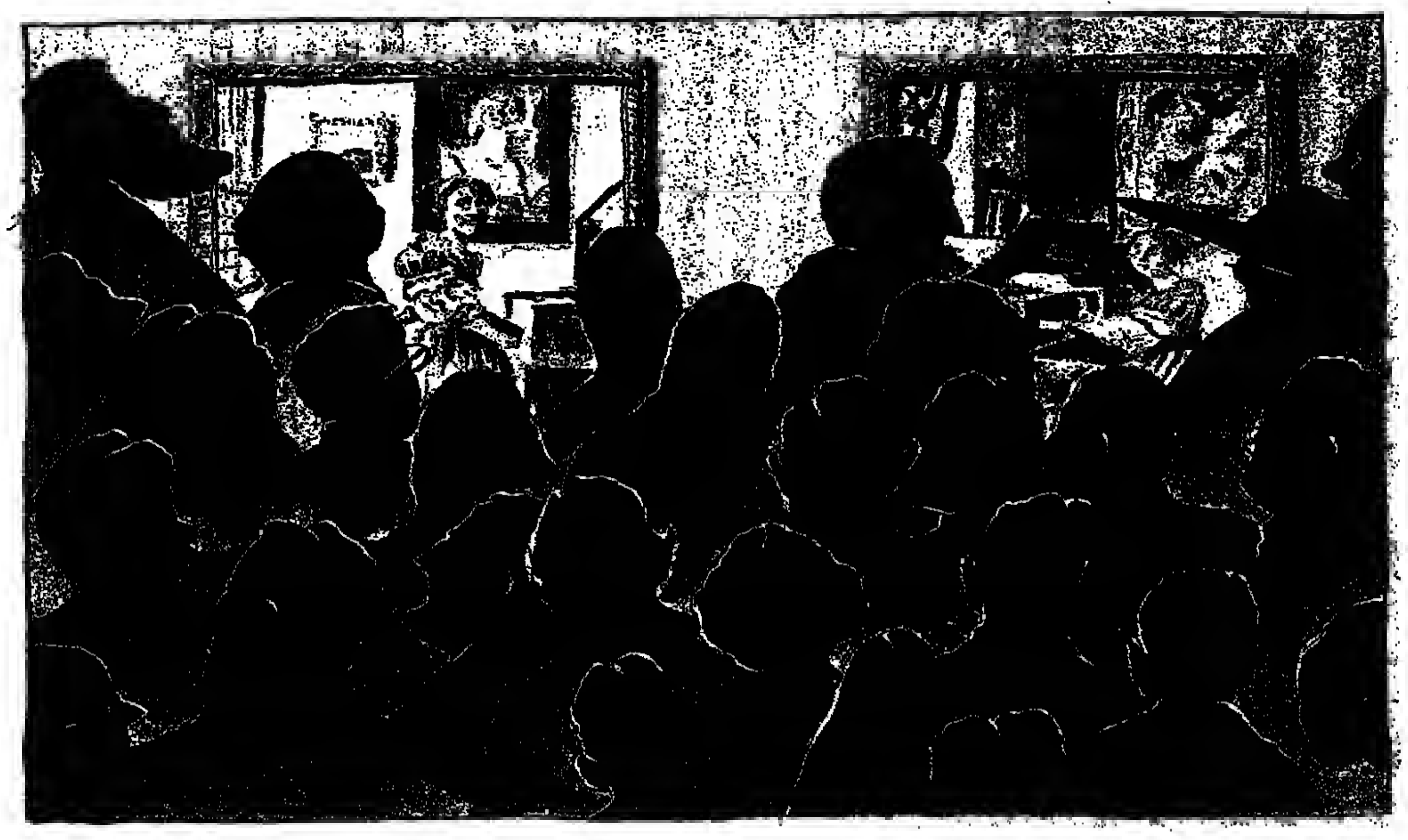

The blockbuster blues

The must-see, crowd-pulling art exhibitions have sown the seeds of their own destruction, argues Susan Moore

Exhibitions have come to be the principal means through which most of us in the late-20th century look at works of art. None have proved more potent than the "blockbuster".

A must-see, crowd-pulling show – be it thematic, monographic or devoted to a single work of art – is not a new phenomenon. Vasari records that when Leonardo had finished his cartoon of a Madonna and Child and St Anne around April 1501, men and women, young and old, continued for two days to flock for a sight of it.

It could even be argued that as far as western Old Master paintings are concerned, its heyday is long since over. A repeat of the blockbuster of the 1930 Exhibition of Italian Art at the Royal Academy is inconceivable. There the Italian government persuaded the British public to grab priceless icons of Renaissance painting as Piero della Francesca's portrait of Federigo da Montefeltro, Botticelli's "The Birth of Venus" and Giorgione's "Tempest". No one would now sanction such loans again.

But in the last 20 years or so the great international loan show has turned from being an occasional treat into an everyday feature of cultural life – and into big business. In creating a taste for ever more spectacular feats of curatorial wizardry, the great museums of the world have nurtured a kind of Frankenstein's monster. Now they are left with the unenviable task of feeding it.

Every month, *The Art Newspaper* lists around 800 non-commercial exhibitions in western museums and galleries. A tour-de-force like *The Glory of Byzantium* which has just closed at the Metropolitan Museum in New York – was four years in the making, involved 59 scholars and 119 institutions from 24 countries. Underpinning the enterprise was sponsorship of several million dollars.

Revenue can be impressive too. The museum's most popular show ever, *The Treasures of Tutankhamun* in 1978-79, generated $3.5m in ticket sales and related income.

As museums in Europe as well as America have become compelled to generate ever more earned income, the temporary show has proved a crucial crowd-puller. There is, after all, no more effective means of hurrying visitors to your door than offering them something tempting for a finite period, or to offer it in convenient, bite-size pieces. Exhibitions focus the mind – and the world's media. They also relieve the visitor of the necessity of choosing what to look at in a museum or gallery. And more people than ever appear to want to look at works of art.

Last year's *Treasures from the National Palace Museum, Taipei* drew a record average of 8,100 visitors a day to the Metropolitan, and the museum itself is set to clock up 5m visitors this year (although given the range of events and amenities offered by what has been dubbed "Club Met", it is unclear how many actually come for the art).

Gallery-going has become a major leisure activity – as indeed has "cultural tourism" for the affluent. A survey of visitors at the 1992 Matisse and Ribera shows revealed that 60 per cent had come to New York specifically for the exhibitions. Over half of the 482,000 visitors to Vermeer at The Hague in 1995/96's cult show, were from abroad. It is an extraordinary thought that more people saw the Byzantium show in New York than lived in Constantinople at the height of the Byzantine Empire.

Over the last decade or so museum directors have also begun to realise that museum collections and expertise, even their names, are marketable commodities. The Guggenheim Museum in New York has pioneered museum licensing on an heroic scale, giving its name and expertise to oversee the soon-to-open modern art museum in Bilbao – in return for a cool $20m.

Last year, V&A Enterprises recorded £85m sales worldwide of licensed products inspired by the museum's collection, passing a profit of £740,000 back to the museum. A show like last year's William Morris retrospective, currently on tour in a condensed version in Japan, resulted in new Morris ranges in paint colours, bedlinen, fashion textiles and tableware, in both Britain and Japan. The French museums regularly dispatch Impressionist shows to venues across South East Asia in return for reputedly vast but unspecified sums.

There is a price to be paid, however, for all this to-ing and fro-ing of objects. We might take the ever more sensational blockbuster for granted, but the days of the multi-million sponsorship deal are numbered. It is increasingly difficult to find corporate sponsorship even in New York, a city where the social life of the rich is determined by the patronage of institutions. Revealingly, the Byzantium show was financed by a unique consortium of private and corporate sponsors, in Greece and the US.

The cost to the leading institutions in terms of displaced curatorial and conservation staff time is also considerable. For instance, last year the British Museum – an institution which does not levy charges to recoup the full costs of loans – revealed that each loan application involved 15-60 person-days, and loan requests have increased 500 per cent in 20 years. Little wonder that a moratorium has been imposed on loans abroad for a year to free staff for work on the museum's Great Court and study centre projects.

The blockbuster has sown the seeds of its own destruction, and not only in terms of cost. These shows beg the question of who or what are they really for. One suspects that serving the interests of the punter is no longer the prime objective. The monographic show remains the most effective means of appraising the achievement of an individual artist, but who can cope with 412 Matisses in a single showing? What is the point of bringing together 20 or so Vermeers – all but one of which, incidentally, is in a publicly accessible collection – if there are so many people packed into the galleries that it is impossible to move freely between them or stand back and compare?

How pleasurable is it looking at treasures of Imperial China from Taipei with 8,000 other people? Who can use a catalogue that weighs 7lb? How can anybody be in a fit state to look at anything after queueing for two hours?

Looking at works of art is essentially a solitary and contemplative activity, something that cannot be undertaken en masse, and yet we all flock to exhibitions which make proper *looking and thinking all but* impossible – frequently striding past no less interesting permanent displays to do so.

Exhibitions are supposed to send us scurrying back to these permanent collections to pursue our interests. The truth is, there is always another once-in-a-lifetime opportunity to distract us. Many museums curators would agree that the display and interpretation of their own holdings is their most *important task*, yet most permanent collections today are almost exclusively the preserve of tourists and schoolchildren – if there is anyone in them at all.

Obituary: Sviatoslav Richter

Shy pianist without equal

Sviatoslav Richter, who died of a heart attack *on August 1* in Moscow at the age of 82, was perhaps the greatest of all post-war pianists. In a prodigiously gifted generation that also included Cherkassky, Curzon, Michelangeli and his compatriot Gilels, Richter stood apart both for the range of his repertory and for the excitement and sense of discovery that he brought to all he played. His repertory ranged from Bach to Britten, Shostakovich and the Second Viennese School. Everything about a Richter recital was unpredictable, except its uniqueness as an occasion.

He was born in Zhitomir in Ukraine on March 20 1915, and taught himself piano until he became a pupil of Heinrich Neuhaus at the Moscow Conservatory in 1937.

After that, recognition of his extraordinary powers was swift within the Soviet Union. He became Prokofiev's favoured interpreter, giving the *first* performances of both the Seventh and Ninth Piano Sonatas, as well as serving as the conductor at the premiere of his cello Sinfonia Concertante in 1952, with Rostropovich as soloist. Yet he did not appear in the west until 1960, when a concert tour in the US sealed his reputation.

His concerts were strictly rationed. Richter's acute shyness and depressive tendencies, *coupled with* a profound dislike of performing in large venues, made his tours sporadic events; numerous engagements were cancelled, sometimes at the last moment, because of *unspecified illness*.

But from the mid 1960s he was a regular visitor to the Aldeburgh festival, where the Suffolk churches provided just the intimate venues he preferred; there his late-night candlelit performances, most often of Bach, *became the stuff of legend*. His account of Britten's Piano Concerto rehabilitated a work that had been neglected since the 1940s.

At the same period he also took charge of the *Fêtes Musicales at Grange de Meslay* near Tours. For the next quarter century he gave recitals and chamber concerts in the company of other distinguished pianists and instrumentalists with a sense of relaxation he rarely *displayed elsewhere*.

The list of composers upon whom Richter focused his powers of poetic advocacy was enormous. Perhaps he was too introspective, too individual to be a definitive interpreter of the Classical repertory, though anyone *who came under the spell of* his Hammerklavier or Beethoven Bagatelles might beg to differ.

But in 19th and early 20th-century romantics he was *non pareil*. He invested the Schubert sonatas, which characterised many recitals *in the last years of his life*, with enormous depths and perfectly delineated colouring; his Schumann, especially the great C major Fantasy, was at once a private exploration of infinite subtlety and a public performance of controlled and powerful architectural sense.

Though he made a stunning recording of the two Liszt concertos, he did not play a great deal of the virtuoso music that would exploit the full range of his exceptional technique. One can regret too that he played relatively little Debussy. What remains on record *suggests a sensibility* perfectly attuned to his understatement and textural palette.

Richter gave his last London recitals in January 1989, playing sonatas by *Mozart and Chopin as well* as a programme in the *National Gallery* of miniatures by 20th-century composers. We are left now with his recordings.

They give only a partial *record* of *his range* and intensity; predictably he mistrusted the *studio*, and most of the discs from the latter stages of his career are taken from concert performances. The heat, though, are unique documents – Mussorgsky's Pictures delivered *to a hall-full* of bronchial Bulgarians in 1959 with more power and conviction than one could imagine the work could hold, Schubert's G major and B flat Sonatas surveyed *at infinite leisurely length*, Bach's 48 given a crystalline purity, late Skryabin spitting and fizzing with venom. His special artistry will be sorely missed.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITIONS
Van Gogh Museum
Tel: 31-20-570 5200
Second of four summer exhibitions of drawings by Van Gogh. This time it is the turn of the works produced when the artist lived in Nuenen, 1883-1885. The exhibition is shown in two parts, with a changeover on Aug 19; to Oct 12

■ DROTTNINGHOLM

OPERA
Drottningholms Slottsteater
Tel: 46-8-4570600
Orfeo: *Swedish premiere of* Luigi Rossi's 1647 version of the legend of *Orpheus*. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette, the choreographer Lucy Graham; Aug 5, 7, 9

■ EDINBURGH

EXHIBITIONS
Royal Scottish Academy
Tel: 44-171-624 6200
Sir Henry Raeburn (1756-1823): major exhibition of around 70 *works by this most famous of* Scottish painters, bringing together the works owned by the National Gallery with loans from around the world; to Oct 5

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Scottish Symphony Orchestra: conducted by Martyn *Brabbins in works by Bartók*, Strauss and Mahler. With soprano *Inger Dam-Jensen*; Aug 7
● BBC Symphony Orchestra: and Singers conducted by Leonard Slatkin in works by Mahler, and world premiere of Roger Reynolds' The Red Act Arias; Aug 4
● Bournemouth Symphony Orchestra: conducted by Yakov Kreizberg in works by Mozart, Korngold, Markevitch and Stravinsky. With violin soloist Gil Shaham; Aug 5
● Georgian Folk Songs: performed by the all-male Rustavi Choir, conducted by Anzor Erkomaishvili; Aug 9
● Jiří Bělohlávek conducts the BBC Symphony Orchestra in *works by Bartók*, Luciano Berio, Schubert and Dvořák. With *mezzo-soprano* Michelle DeYoung; Aug 8
● *Sir Colin Davis conducts the* National Youth Orchestra of Great Britain in works by Sir Michael Tippett, Vaughan Williams and Sibelius; Aug 9
● Trevor Pinnock conducts the English Concert and Choir in works by Bach; Aug 6

■ PESARO

Rossini Opera Festival
Tel: 39-721-33184
CONCERTS
Latvian Philharmonic Chamber Orchestra: in works by Mozart, Rossini and Caikovskij; with piano soloist Massimo Lambertini; Aug 8

OPERA
Moïse et Pharaon: presented in the *version he adapted for the* Paris Opera in 1827, Rossini's *opera – created as Moses in Egypt* in 1919 – is staged by Graham Vick. With the Orchestra of the Teatro Comunale di Bologna, conducted by Vladimir Jurowski; at the Palafestival; Aug 9

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS
● Ensemble Modern: conducted by Hans Zender in a programme including works by Essl; at the Mozarteum; Aug 6
● Klangforum Wien: conducted by Johannes Kalitzke in a *programme including works by* Essl; at the Mozarteum; Aug 7
● *Philharmonia Orchestra:* conducted by Bernard Haitink in works by Mahler; at the Grosses Festspielhaus; Aug 4

OPERA
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine *Gaspar. With the Mozart* Orchestra Salzburg and the *Konzertvereinigung Wiener* Staatsopernchor; at the *Residenzhof*; Aug 4, 6
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 6, 9
● *Le Grand Macabre: by Ligeti.* New production conducted by *Esa-Pekka Salonen and directed* by Peter Sellars. Cast includes Willard White. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor. Co-production with the Théâtre du Châtelet; at the Grosses Festspielhaus; Aug 5
● Lucio Silla: by Mozart. Conducted by Sylvain Cambreling and directed by Peter Mussbach with designs by Robert Longo. Cast includes David Kuebler and Susan Graham. With the Camerata Academica Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the *Kleines Festspielhaus*; Aug 7, 9

THEATRE
● Der Alpenkönig und der *Menschenfeind: by Ferdinand* Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögerbauer. With music by Wenzel Müller; at the Landestheater; Aug 7, 9
● Jedermann: by Hugo von Hofmannsthal. Revival of Gernot Friedel's production, designed by Imre Vincze; at the Domplatz; Aug 4

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Ashoka's Dream: world premiere of Peter Lieberson's opera, with a libretto by Douglas Penick. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Aug 8
● *Così Fan Tutte: Kenneth* Montgomery conducts Mozart's opera, *sung in English, in a new* production directed by Nicolette Molnar and designed by Bruno Schwengl; Aug 5
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Christopher Larkin conducts; Aug 4, 9

■ SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
● *Philharmonie der Nationen:* conducted by Justuz Frantz in works by Rossini, Mendelssohn, Respighi and Verdi; at the *Rinderstall, Haseldorf* on Aug 5; at the Schloss, Kiel on Aug 6; at the Musik- und Kongresshalle, Lübeck on Aug 7
● Taverner Consort & Players: conducted by Andrew Parrott in a programme including works by Bach; at St. Marien-Kirche, Lübeck on Aug 4 and at St. Michaelis Kirche, Hamburg on Aug 5

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: and Tanglewood Music Center Orchestra conducted by Seiji Ozawa, Leon Fleisher, Keith Lockhart and John Williams in a programme which includes Tchaikovsky's 1812 overture; the Shed; Aug 5
● Boston Symphony Orchestra: conducted by Charles Dutoit in works by Berlioz, Rachmaninoff and Bartók. With piano soloist *Yefim Bronfman*; the Shed; Aug 9
● Clarinet player Richard *Stoltzman and pianist* Lukas Foss: perform works by Gershwin, Copland, Ives and Foss; *Ozawa* Hall; Aug 7
● Juilliard String Quartet: in works by Mendelssohn, Copland and Schubert; Ozawa Hall; Aug 6

■ VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco *Zeffirelli*; Aug 7
● Madama Butterfly: by Puccini. *New production*. Conducted by Angelo Campori, with designs by Beni Montresor; casts vary; Aug 9
● Rigoletto: by Verdi. Conducted by Nello Santi in a revival of Lotfi Mansouri's staging; Aug 8

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08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Bank managers: David Clementi (left) and Mervyn King, both deputy governors

A little Old Lady

Robert Chote looks within the Bank of England as it prepares for radical change

The Bank of England is experiencing both an upheaval and a homecoming. An upheaval because the chancellor's decision to relieve the Old Lady of responsibility for supervising Britain's banks means that up to 500 of its 3,000 staff will be transferred to the New Regulatory Organisation (Newro). A homecoming because this means the Bank can retreat from four of its sites in London and regroup at head office.

For the first time since its Threadneedle Street fortress was rebuilt in the 1930s, the Bank should soon be able to house all its London staff within the 30ft-high stone wall that Sir John Soane designed to protect it after the Gordon riots of 1780.

The reform of supervision, together with the government's decisions to give the Bank "operational independence" to set interest rates and to shift its responsibility for managing the government's debt to the Treasury, implies a big logistical change. Equally, the revolution is likely to transform the character of the Bank, although in some respects this will come about by accelerating trends under way some time.

How will the Bank cope with the changes? Who among its members will lose, and who will benefit? And is morale overall likely to suffer?

The Bank will certainly be smaller, although staff numbers had already halved since the mid-1970s. Old hands believe the departure of the supervisors will make a difference that goes beyond size. They think it could create the conditions for a more coherent and unified institution.

Supervision had been the Bank's big growth area over the past 20 years, much as the operation of exchange controls had been earlier in the century. Supervision had employed growing numbers of staff and absorbed an increasing proportion of operating costs. "It was getting to the point at which the tail was wagging the dog," argues one observer.

The development of a specialist supervisory culture within the Bank also made it difficult for staff to pursue a traditional career, in which they moved regularly from division to division to create "rounded" central bankers. Only the most talented generalists were able to move freely between high-level jobs throughout the Bank. In the new, smaller Bank this should be easier.

Of course, the separation between supervision and monetary policymaking will leave some people on the wrong side of the fence. Staff wishing to jump to the other side have until this Friday to say so. Many are waiting until the last minute to see what the competing terms and opportunities are.

There are no guarantees that everyone will get their way. But the vast majority of people in the supervisory divisions are thought to be content to go to Newro, influenced perhaps by the knowledge that most of them will be on better contracts than if they stayed with the Bank.

The loss of responsibility for supervision was the most uncomfortable part of the revolution for Mr Eddie George, the Bank's governor. This was more because of the way the decision was sprung on him than because of disagreement with the substance of the change. In the ranks, however, the decision to make the Treasury responsible for managing the government's debt has caused more disquiet.

Few of the 85 staff in the market operations divisions are likely to be surplus to requirements. The gilt-edged division may have lost its largest customer, but the Bank will retain a dealing capability for other customers and to manage short-term interest rates. The divisions will also have control over part of the government's foreign exchange reserves, which it can use to support the Bank's monetary policy objectives.

Nonetheless the psychological blow was considerable. The gilt-edged division is an "elite corps", to which the best and brightest are sent. Handing gilts management to Treasury technocrats may rob it of mystique.

The winners in the Bank's revolution are the monetary analysis divisions. No longer will their 160 staff be condemned to provide advice for a chancellor who habitually ignored it. Instead, they serve an in-house monetary policy committee that takes decisions on base rates itself.

"It is great for the Bank's economists – their lives have suddenly become more meaningful," argues one former Bank official. "They are working their socks off, not least because they are worried about getting it wrong."

The prestige of the Bank's economists will have been enhanced by last week's announcement that Mr Mervyn King, the Bank's chief economist, is to join Mr David Clementi as the other deputy governor, responsible for monetary policy. An outside appointment – the widely tipped Mr Gavyn Davies, of Goldman Sachs, for example – could have undermined his authority and that of the governor.

Since arriving at the Bank in 1991, Mr King has strengthened the technical expertise of the economics team. Through the quarterly Inflation Report, he has promoted a rigorous approach to monetary policy, while emphasising the uncertainty that surrounds policy decisions and the forecasts on which they necessarily rely.

With the Bank's reputation hanging on the wisdom of its interest rate decisions, it is tempting to assume that the institution will become dominated by what some insiders dismiss as "pointy-headed economists educated at Harvard or MIT".

But the Bank aims to keep its feet on the ground. It is expanding its network of regional agents, who feed local information into the policymaking process.

And though it is losing control over banking supervision, it will retain deep roots in the banking system and financial markets through its continuing oversight of the stability of the financial system as a whole. This is bound to affect the way it approaches its monetary policy task. As one insider puts it: "We are still very much a bank."

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EXPRESSION OF INTEREST for the purchase of ***First Women Bank Limited*** giving brief investor profile along with a non-refundable processing fee amounting to Rs. 100,000/- or equivalent United States Dollars through a bank draft favouring "Privatisation Commission, Government of Pakistan" should reach the designated person indicated below by 3:00 p.m. (P.S.T.), Thursday the **21st August, 1997.**

Ahmed Waqar, Joint Secretary,
Phone: (9251) 920-3881, Fax: (9251) 920-3076
Privatisation Commission, Government of Pakistan,
5-A, Constitution Avenue, Islamabad, Pakistan

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Concept of tax harmonisation in European Union a nonsense

From Mr Richard Baron.

Sir, Lionel Barber ("The big catch", July 28) gives us a very thorough summary of the nonsense being talked in Europe about tax competition and the need for harmonisation. It is, however, still nonsense.

Mr Mario Monti (the Italian commissioner responsible for policing the single market) stigmatises tax competition as "state aid", anathema to the European Union's single market. But what distorts the single market is aid limited to particular businesses such as national airlines. If a member state offers a generous tax regime, anyone can move himself or his business to it and reap the benefits.

Won't everyone move to the low-tax states? No. Some people prefer an economy in which the private sector predominates and both tax rates and social security provision are on the low side. Others prefer a more public sector-oriented economy, with better safety nets but lower net incomes for people in work. It is good that such a choice is available. One wonders whether the interest in tax harmonisation might be motivated by a desire to close off that choice, lest too many people vote with their feet against those European states which offer high welfare paid for by high taxes.

Capital is of course more mobile than people, but the proposed withholding tax on returns to capital is not the answer. If Germany has a problem with its citizens depositing money in Luxembourg, the solution is better policing of German tax returns: German citizens should be made to pay tax on their interest in their own country. Imposing a withholding tax is simply a way of exporting the enforcement problem. It also runs directly counter to the needs of financial markets, which require interest to be paid gross to facilitate repos and other transactions.

Richard Baron,
taxation executive,
Institute of Directors,
116 Pall Mall,
London SW1, UK

New drug clearly more cost-effective

From Mr Miguel Bernabeu and Mr Steven Lyons.

Sir, In your report "Novartis sales rise by 19 per cent" (July 25), you stated that our improved immunosuppressive agent Neoral is "more expensive" that its predecessor, Sandimmun. This is not correct.

In almost all countries where Neoral is available, including the US, UK, France and Canada, it is priced either the same as or lower than Sandimmun on a per capsule basis. In addition, health economic analyses (eg, Keown et al, Transpl. Proc. 1995, 27:1845; Kingma et al, Clin Transpl. 1997, 11:42) have clearly demonstrated that the new formulation is more cost-effective in newly transplanted patients as well as in stable maintenance patients.

Neoral lowers the cost of therapy for transplant recipients by reducing hospital stay and lowering physician costs for in-patient and out-patient procedures. Most importantly, Neoral achieves a lower rate of acute rejection with no increase in side-effects and at reduced cost.

Miguel Bernabeu,
head, TA2 immunology strategic marketing,
Steven Lyons,
head of transplantation strategic marketing,
Novartis Pharma,
Lichtstrasse 35 / PO Box,
CH-4002 Basle,
Switzerland

More time for work, and for Paris

From Mr Robert M. Reid.

Sir, In Business Travel (July 28), Kate Bevan showed an interesting comparison of Eurostar with Air France between London and Paris. Two further comparisons are of interest. Air France timings allow only three hours 13 minutes in Paris, whereas Eurostar allows five hours 12 minutes. During the journey Eurostar gives up to three hours' working time, while Air France gives only about an hour in poorer conditions. Both of these factors are a big bonus for regular Eurostar users such as myself.

Robert M. Reid,
45 Bradmore Park Road,
London W6 0DT, UK

Closure a chance to get to grips with reality

From Mr Michael Varcoe-Cocks.

Sir, Antony Thorncroft reported in his article "Covent Garden on the brink of bankruptcy" (August 1) that Covent Garden's chairman, Lord Chadlington, is seeking to widen membership of the main board by including those with experience of performing in the arts and is looking for people to increase revenues by promoting Covent Garden's brand name.

I have attended the Royal Opera House regularly since 1968. I have watched as seat prices have rocketed, ordinary patrons have become more and more alienated and – despite the best attempts at PR and puffs in the press – standards (especially and tragically of the Royal Ballet) have slipped in a glow of smug self-satisfaction.

Covent Garden is an "elitist" institution in the worst possible sense from top to bottom, in stark contrast to every other major opera house. Instead of recruiting performers and merchandisers, Lord Chadlington could start by appointing to all of its boards some representatives of the paying public who can see what it plainly will not or cannot.

Closure is a heaven-sent opportunity for Covent Garden's management to get to grips with reality. If they do not, Chris Smith, the national heritage secretary, should sweep out the lot of them.

Michael Varcoe-Cocks,
5 Brackenbury Road,
London W6 0BE, UK

Fair employment laws would benefit all in N Ireland

From Mr Michael Lavery.

Sir, The complaint about anti-discrimination legislation, formally claimed to be unnecessary because there was no discrimination, is now that it has gone too far. Catholics may have been treated "more than fairly" according to Mr Dermot Nesbitt in his dissent from the report of the standing advisory commission on human rights referred to in John Murray Brown's article "Red, white and blue under demographic siege" (July 25). Catholics are getting most of the new jobs, according to Dr Graham Gudgin. So Protestants are now being discriminated against.

This is arrant nonsense. Every leading social and economic indicator puts Catholics at the bottom of the scale. Protestants, for whatever reason, predominate in the security forces, higher levels of the civil service and higher management levels in the financial and manufacturing sectors. Catholics are more than twice as likely to be unemployed as Protestants, a figure that has changed little in years.

There has indeed been improvement in the numbers of Catholics in work, although the recent figures do not paint quite so rosy a picture as Mr Nesbitt's.

In a far-reaching report which emphasised the positive gains of the fair employment legislation and recognised the social and economic limitations, the commission, among its many recommendations, included some modest proposals for affirmative action to address unemployment. This action would of course be subject to the fundamental principla that every individual, irrespective of his religion, shall be treated without discrimination.

Because, according to Mr Nesbitt, "affirmative action, though legal, may create a situation where individual Protestants may have a diminished right to a job compared with individual Catholics", he rejected it.

What both communities in Northern Ireland need is reassurance and not the fuelling of unnecessary fears in one community or another which enhance divisions. What the commission would like to see is universal recognition that fair employment legislation is for the benefit of all in Northern Ireland. Its balanced and moderate proposals are clearly in the interests of everyone in Northern Ireland, whether Protestant or Catholic.

Michael Lavery,
chairman,
Standing Advisory Commission on Human Rights,
Temple Court,
39 North Street,
Belfast BT1 1NA, UK

Lucy Kellaway meets an iconoclastic businessman

When product is king

Mr James Dyson was wearing purple desert boots, red socks, elastic-waisted trousers and a white shirt on which every button was a different colour.

The message was clear: the wearer of this outfit does not consider himself to be an ordinary businessman. In fact Mr Dyson does not consider himself a businessman at all. Never mind the fact that he has sold more than £1bn ($1.65bn) worth of vacuum cleaners. Never mind that his company is the market leader in the UK and is one of the only UK manufacturers which exports to Japan. Mr Dyson balks at the "b-word".

Instead he sees himself as a designer, an inventor and a champion of British manufacturing. He has just written a book about his decade-long struggle to sell his bagless machine*. During that time he was laughed at, exploited and ripped off by big business and ended up making and marketing the vacuum cleaner himself.

"Business," he insists, "is about people in suits whose main concern is to maximise profit and to shaft people."

We had not been talking very long and he had already written off the City and the advertising industry and cast aspersions on money itself. Figures play almost no part in his book and, after the few short paragraphs dedicated to his company's (excellent) financial performance, he concludes: "Oh, vulgar, vulgar vulgar, vulgar, vulgar."

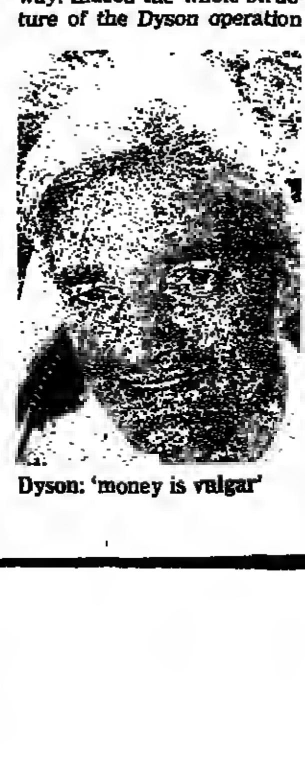
Surely this is a bit strong. Money is a unit of account, indispensable for gauging the health of a business. When you run a company as large as his, you should respect it a bit more.

"No," he insists. "Money on its own is vulgar. It's what you can do with it that matters." The beauty of making a lot of money, he says, is that it allows you to do more expensive research and development that will help you to make even better products."

This is what happens when you talk to Mr Dyson. You can start discussing any aspect of the company you like, but all conversations quickly lead back to one subject: the product.

"I am totally product-orientated. If our product is wonderful and if we look after people, including our retailers and our customers, the business looks after itself."

It is all very well for a small company to think this way. Indeed the whole structure of the Dyson operation seems ideally suited to a family firm focused around one product.



Dyson: 'money is vulgar'

The factory in Wiltshire, in southern England, which employs 600 people, has been designed by a good architect and the pink and purple colour scheme inside was chosen by Mr Dyson's artist wife. Employees sit on £400 designer chairs and at lunchtime fill their stomachs at the company café (Mr Dyson hates canteens) with pesto and fusilli.

Everyone is encouraged to be creative and pioneering, just like their boss. Memos are banned, e-mail frowned on. Face-to-face is in.

New employees, irrespective of their level, spend their first day making a vacuum cleaner, which they can then buy for £20.

Nearly all employees are hired directly from college – Mr Dyson says he does not want anyone in his company who has already been contaminated by business. And as a final concession to creativity, everyone wears their own clothes. Suits are the uniform of the enemy.

It is ironic that many of these practices are also espoused by trendy advertising companies and other places despised by Mr Dyson.

But do they really make a difference? Surely what you wear is unimportant: it must be possible to be creative in a suit.

Mr Dyson smiles indulgently and shakes his head. "Wearing a suit straitjackets you. Allowing people to wear shorts and a T-shirt means they are more natural. It's a statement of freedom and liberation."

When the company grows even larger and diversifies into other areas, surely then it will be forced to become a business a bit more like all the others. Mr Dyson insists that what the company is doing now can simply be extended when there are more people. With more products the company can be subdivided into different sections.

The company is hiring at the rate of 100 people a month. The only risk in growth, Mr Dyson says, is that the company gets distracted and lets up on the R&D spending.

He is now busily perfecting a new product which, according to rumours, will be a washing machine. This time it is unlikely to take him a decade of hard work to get it to market – the brand name of Dyson is bound to open doors.

At such a suggestion he flinches. Just as he hates the word business he also hates the word brand. "Britain is obsessed by brands," he complains. "I've never believed in all that. It is so depressing that people buy something because of the brand name."

He might hate it, but now that Dyson has become a brand name itself it is surely time to change his tune.

"Hopefully our name means something," he says grudgingly. But he then returns to his argument: "I would like to think they will buy the next one because it is good."

* *Against the Odds, Orion Business Books, £18.99*

COMMENT & ANALYSIS

FINANCIAL TIMES
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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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A test case for the IMF

President Daniel arap Moi's dismissive response to the International Monetary Fund's call for tougher measures to curb corruption in Kenya has received the robust answer it deserved. He failed to produce adequate proposals, and refused to reinstate his chief customs officer, who has been a leading anti-graft campaigner.

The Fund announced the suspension of the country's $220m loan, accompanied by a forthright public rebuke. And the financial market has delivered its own verdict by selling the Kenya shilling, which dropped at one stage on Friday to its lowest level in four years. Mr Moi should think again.

If the Fund was seeking a test case for its campaign to encourage open, transparent and honest government in Africa, there could hardly be a more suitable candidate than Kenya. Unlike Zaire, where the IMF and the World Bank waited until far too late before suspending lending, there is still time for Kenya to mend its ways. The country's institutions have not collapsed. It has a thriving stock exchange and a sophisticated financial services sector, both ready to exploit the growth potential of East Africa's largest economy.

Most important, and in marked contrast to Nigeria, whose oil earnings have allowed its elite to remain independent of foreign aid, Kenya is susceptible to international pressure. For years it has been one of the largest recipients of western aid to Africa – more than $8bn in the 10 years to 1995 – and lenders and donors can legitimately seek value for their money by making their support conditional on honest government.

That the IMF is willing to press this case is welcome. As Mr Michel Camdessus, the IMF managing director, recently pointed out, there is more to economic reform than financial targets. As important as a sensible structural adjustment programme are the government institutions to implement reform in a way which commands public support. This means ensuring transparency of government accounts, effective management of public resources, and a stable and honest regulatory environment for the private sector.

Regrettably, suspending loans seems to be the only way of bringing home to Mr Moi that this is how Kenya can best combat the corruption that does it so much damage. But the international institutions, which invariably know more about these scandals than they are prepared to reveal, must also encourage debate on these issues.

They should put the public's right to know before the excessive and stifling confidentiality that characterises their operations, not only in Kenya but across Africa. Where a government or its civil servants are known to have misappropriated funds, this should be exposed, and not dealt with behind closed doors.

Many African governments will no doubt object, not least Mr Moi. But those who object the loudest are surely those with most to hide.

Galvanised steel

Spain's planned privatisation of CSI Corporación Siderúrgica, the last big EU steelmaker still in state hands, is a triumph for the forces of economic realism. With a controlling stake being sold to Arbed of Luxembourg and the remaining shares being sold on the stock market, CSI will join the ranks of the EU's privately owned steelmakers. Less than 15 per cent of EU steel output will remain under state control, compared with over 60 per cent 10 years ago.

However, the fight for a more productive industry is far from over. While the EU has some very efficient producers, notably British Steel and France's Usinor Sacilor, the industry as a whole is far from competitive by international standards. Even though the workforce has been cut from nearly 1m to 330,000, Europe's steel companies still suffer from the burden of excess capacity and excess manpower.

As British Steel has shown in repeated productivity drives, further progress depends mostly on companies themselves. But there is still much that governments themselves can do to promote efficiency.

First, despite promising to give up state aid, governments have not completely abandoned the habit of the hand-out. The Irish state smoothed the 1995 privatisation of Irish Steel with a I£38m (£34m) sweetener. The European Commission is investigating whether the Belgian authorities are now breaking the rules in helping to finance the rescue of the bankrupt Forges de Clabecq. Admittedly, these are small companies. But it is such marginal producers which have to close if a more efficient industry is to evolve.

Next, the Commission needs to ensure that EU markets remain open to imports, so EU producers face the rigours of international competition. The market-opening agreements struck with central European countries and more recently with Russia and Ukraine are the right way forward, as long as they are not used as a covert way of restricting access to the EU.

Finally, the Commission should examine the impact of EU energy policies. High gas prices have stymied the European development of mini-mills, innovative producers which been successful elsewhere. While high energy prices may be justified on environmental grounds, the industrial impact needs closer study.

Governments are under enormous pressure to protect steelmaking jobs, often in depressed regions. But the weak producers are protected at the expense of the strong. The result is to postpone the day that Europe secures the efficient steel industry its businesses need to compete in the world.

Going too far

Mrs Margaret Beckett, the British trade and industry secretary, has so far handled well most of the thorny questions of competition policy and utilities regulation. But her decision on the PacifiCorp bid for Energy Group smacks of gratuitous political interference. In referring the case last week to the Monopolies and Mergers Commission, overruling advice from the electricity regulator and the Office of Fair Trading, Mrs Beckett has gone too far in asserting her authority.

Her misjudgment contrasts sharply with the good sense she has shown elsewhere. It was right to block Bass's bid for rival brewer Carlsberg-Tetley, even though the MMC recommended conditional approval, and to tackle electrical goods makers over retail price setting. Consumers will benefit from such a vigorous approach to competition.

Mrs Beckett's proposals for overhauling competition law are also welcome. The existing system offers inadequate protection from big companies running cartels or abusing market dominance. Labour promises a bill with fines for offenders and stricter definitions of unacceptable behaviour. It also proposes beefing up the MMC by extending its powers over utility regulators. While the details have yet to be published, Mrs Beckett's plans bode well.

But the industry secretary's handling of privatised industries seems less sure-footed. The PacifiCorp case follows a decision to refer to the MMC bids by National Express, the coach operator, for two rail franchises. As with PacifiCorp, Mrs Beckett over-ruled the OFT.

In both cases, her stated reasons seem flimsy. With National Express, she acted on competition grounds. But if there are competition concerns about its bids, there are satisfactory ways of addressing them short of a reference. With PacifiCorp, the stated issue was future regulation of Energy Group. But the regulator is happy with existing safeguards.

Mrs Beckett seems to be singling out privatised companies for special treatment. Perhaps old-style Labour hostility to privatisation is showing through. Perhaps she feels the Tories supervised these industries too lightly. However, if she is unhappy with the regulatory regime, the proper way to act is through the regulatory review which she has also launched. Resorting to MMC referrals is arbitrary at best.

A break in the turbulence

As Prodi's government achieves a measure of stability, **Robert Graham** reflects on six years of political and economic turmoil in Italy

A clammy torpor has enveloped Rome, as government offices run down and politicians sneak away for their summer holidays.

For the first time in six years, the Italian political establishment feels sufficiently relaxed to take a proper break. "At last this is the calm *after* the storm, and we can go to the beach with a novel, not a pile of documents and a *telefonino*," observes a colleague of Mr Romano Prodi, the prime minister.

After surviving 15 months in office – six more than the post-war average – the centre-left Prodi government has acquired a rare measure of stability. Mr Prodi even believes he can last an entire legislative term, something none of his 54 predecessors achieved. This may seem a trifle overconfident: but the country desperately needs a little optimism after six turbulent years.

For much of this time Italy has been the sick man of Europe. In the space of six years what other democracy has undergone three general elections, voted in two referendums, seen six changes of government and had five former prime ministers charged with crimes ranging from corruption to association with the Mafia?

The most dramatic development has been the implosion between 1992-94 of the Christian Democrat-led political establishment, which had ruled uninterrupted for more than four decades. But Italy has also gone through two currency crises – in September 1992 when the lira was forced to leave the European exchange rate mechanism, devaluing 20 per cent, and in March 1995 (less well known but just as serious), when the markets believed Italy was lurching along a path of chronic instability.

If this were not enough, the Mafia sought in 1992 to destabilise the state by assassinating in quick succession the two main anti-Mafia magistrates: Giovanni Falcone and Paolo Borsellino. The killings were followed by a bombing campaign with targets including the Uffizi gallery, the symbol of Italian culture

The combination of an extraordinary political crisis and two financial upheavals presented the most serious challenge to the republic since its foundation in 1946. But it also created a unique opportunity to overhaul Italy's creaking institutions, modernise the state and put public finances in order.

How has the country measured up to this challenge and opportunity? It is easy to conclude that the response has been slow and partial. It was only in June this year that political parties agreed to outline proposals on changing the constitution, creating a more federal state structure, making government more accountable and giving greater power to what, since 1948, has been an exceptionally weak executive. These proposals stand no chance of being implemented until late 1999, if at all.

The corruption scandals, known as *Tangentopoli* (Bribesville), exposed the incestuous links between politics and business, and helped bring down the postwar political establishment. But moral indignation over corruption (admittedly never vociferous) has evaporated and few lessons have been learnt or practices altered.

Public services are poor and show little concept of service, the postal system being the worst offender. The banking and financial system, a central feature of any modern economy, is only just emerging from a dark age of state-run inefficiency and incompetence. The business community remains insular and defensive; and the captains of industry, still symbolised by retired Fiat boss Mr Giovanni Agnelli, have done little to encourage domestic competition or transparent balance sheets.

More serious still, neither government nor business has come to terms with the accelerating gap between the dynamic, export-driven economy of the north and the weak, state-dependent structures of the south. This is causing a groundswell of anti-Rome sentiment in the north, cleverly exploited by the populist Northern League which is now espousing secession.

In general, there have been too many half-hearted reforms. Italians have preferred to splice new on to old, oftenending up with the worst of both worlds. This is exemplified by the 1993 electoral reform which encourages stable bipolar politics by introducing a first-past-the-post system for 75 per cent of the seats. But it also foments fragmentation by retaining proportional representation for the remainder of the seats to keep alive the small parties whose blackmailing power has been the biggest source of post-war government instability.

Judgment of these failings must be tempered by the chaotic circumstances in which governments have operated. The achievements appear much more impressive when one realises the fire-fighting nature of much action. This is especially the case with the turnround in the public accounts. Since 1992, budget cuts totalling a staggering L325,000bn ($181bn) (equivalent to 16 per cent of gross domestic product) have been introduced. At the end of this year the budget deficit will be close to 3 per cent of GDP, a third the size of the deficit five years ago.

A start has been made on slimming down the overblown state sector. The decade started with a minister for state shareholdings whose job was to preserve political patronage and assure adequate supplies of public funds for loss-making enterprises. Now the treasury – wearing one of its hats – has become a sort of privatisation agency, having sold off L37,000bn of assets in the past three years. It is also forcing Iri, the state holding company, to sell all its assets by 2000. In the early 1990s Iri controlled companies employing 400,000 people.

The tight-money policies of the fiercely independent Bank of Italy have forced a traditionally high-inflation economy to adjust to an almost German level of price stability.

Interest rates have fallen accordingly, encouraging a historic shift in investment patterns. The attractions of BOTs (treasury bills) have declined and the "BOT-people" are moving into the long-neglected bourse. This is a first step towards increasing consumer credit in a country which has preferred to use cash. (Italy has 5.6m Visa card holders compared with 17m in Spain and 40.2m in the UK.)

At the political level, the communist bogey has been finally laid to rest. The great political anomaly of the left's exclusion from power after 1947 was remedied in the 1996 general election. In retrospect, it is possible that, had the US and the Catholic Church been less paranoid about communists in office, much of the turmoil of the 1990s might have been avoided, since the Christian Democrats would not have been corrupted by the longevity of power.

To a great extent, the impetus for political and economic change has come from external not internal pressures. Although the anti-corruption magistrates in Milan played a key role in exposing the flagrant abuse of power under what is now labelled the First Republic, the fall of the Berlin Wall was the catalyst for political change because it removed the fear that the communists might act as Soviet stooges.

Similarly, the need to put public finances in order was determined by a tougher line from Brussels. EU rules ended the lavish system of state transfers used to support ailing industries. The Maastricht criteria for joining the single currency have been essential to the effort of reducing the budget deficit.

Without the Brussels-imposed straitjacket – readily accepted by a Euro-enthusiastic electorate – little progress could have been made. Mr Giuliano Amato, the Socialist former premier, first exploited the need to observe EU disciplines. His 304 days in office (1992-93) will go down as one of the most accomplished political performances this century.

Surrounded by the meddling potentates of the *ancien régime*, he nimbly set Italy's European agenda. Even the self-interested and maladroit premiership of Mr Silvio Berlusconi, the media magnate turned politician, was sufficiently brief to avoid permanent damage.

The unions, headed by the unflappable Mr Sergio Cofferati, have also played a responsible role. The restraint embedded in a 1993 agreement that ended wage indexation has helped generate an export boom on the back of a weak lira.

Experience shows that once the pressure for change eases, the will to reform lets up. Financing of political parties was a central issue in the *Tangentopoli* scandals, creating all sorts of abuse by businessmen and politicians. But to snores of public indifference, parliament voted to reintroduce state funding of political parties earlier this year. This had been abolished by referendum in 1993.

The corruption scandals have ensnared about 3,000 people; and Italy cannot easily live with so many cases going to trial when the full passage through the courts can drag on for 10 years or more. Any solution must involve reforming the judiciary and curtailing the power of the magistrates who have been allowed to acquire a dangerously Jacobin role these past six years. More politically sensitive is the plight of prominent figures like Mr Berlusconi who are on trial or under investigation. Understandably, they are pressing for an amnesty.

Mr Berlusconi's case is complicated because he has failed to resolve the conflict of interest between his role as a politician since 1994 and his continued ownership of a business empire. The present centre-left government has exploited that conflict to put pressure on Mr Berlusconi (and the opposition) to endorse various items of legislation. This has made Italian politics seem unusually bipartisan. But it is an anomaly that undermines the credibility of the political process while inhibiting the ambitions of Mr Berlusconi and the right to return to office.

In the search for credible leaders, three of the six premiers have been non-politicians. Two of these – Mr Carlo Azeglio Ciampi and Mr Lamberto Dini – were recruited from the prestigious neutrality of the Bank of Italy. Both these men are now in the Prodi government. This is a powerful reminder that the emergent political system has drawn down its reserves of leadership talent. It also places a great responsibility on the success and duration of the Prodi government.

· OBSERVER ·

Red Cross roads

■ The wind of change is blowing at the Swiss-based International Committee for the Red Cross. Director-general Paul Grossrieder has unveiled plans to cut 100 jobs – or about one-sixth of the workforce – at Geneva headquarters; that's the first real belt-tightening in the council's 133-year humanitarian history.

Not that the Red Cross falls into the same category as fat-cat international organisations. Staff numbers have barely budged over the past decade and there's no real sign of foot-stamping from the governments – led, predictably, by the US – who provide the lion's share of the council's SFr800m ($530m) annual budget. In fact the Red Cross's involvement in conflicts like Chechnya – where the UN could not tread – and the Peruvian hostage crisis was a pretty strong advertisement for its work as an independent humanitarian organisation.

But nowadays even the most virtuous types have to cut their cloth – and last year's SFr20m budget deficit just isn't sustainable. Grossrieder hopes the reorganisation will make the Red Cross less centralised; there's even talk of contracting out humdrum services like translation. Exactly the kind of language that governments like to hear.

Gimme a break

■ Lionel Jospin's brief summer break may be less peaceful than he had hoped. Before heading off for the increasingly trendy Ile de Ré, near La Rochelle, the French prime minister said that he intended to bathe, bicycle and re-read Balzac. But his neighbours may be prone to distract him – they include Olivier Blanchard, the Massachusetts Institute of Technology economist who's renowned for his anti-Emu views. Should give them something to talk about across the garden fence.

Fly the flag

■ It may be a British institution but Marks and Spencer's been pretty good at persuading foreigners to buy its range of sensible slacks and undies. If the company is thinking of expanding into Pakistan, though, Observer can offer some sound advice: somebody else got there first.

Travellers in the north-west of the country will find, about 1km from the gateway to the Khyber Pass, a sprawling roadside bazaar run by local Pashtun tribesmen. Nothing unusual in that; but tucked among the stalls selling electronics and kitchenware is a shop offering a fine selection of M&S vests, padded bras and men's slacks – all the genuine article. Very handy if you've been on the road for a few weeks. There's even a signboard featuring the famous "St Michael" logo – and a Union Jack for good measure.

The place has been doing a roaring trade for the past 10 years – courtesy of ingenuity and entrepreneurial spirit. Family connections back in the UK buy loads of M&S goodies and ship them to Karachi. The only snag is those pesky customs regulations – so the booty travels overland into Afghanistan, following a well-worn smuggling route over the Khyber Pass and back into Pakistan. With a distribution network like that, how could M&S ever hope to compete?

Hide and seek

■ You'd have thought Ann Iverson, the American chief executive of British-based fashion chain Laura Ashley, would have enough on her plate. Three senior executive departures in the space of two months, a profits warning, shares at a seven-year low – but now La Iverson appears splashed across the pages of Vogue Magazine claiming to be the fantasy pin-up girl of financial markets. It's a bold claim, and she's pictured wearing an outfit that's nothing like the kind of demure floral print which made the company famous.

"All those City guys love to think of me in black leather, so I may as well live up to expectations," the four-times married Iverson is quoted as saying. The smack of firm leadership – that's the spirit.

Drawn a blank

■ So it looks like Walt Disney has again blown its role as the self-appointed champion of American family values. First the entertainment giant offended Arab sensibilities with *Aladdin*, then the Catholic Church with *Priest*, now it's up against the regiments of Concerned Women for America.

The 500,000 strong brigade of conservative ladies has elected to boycott Disney products in protest at the skimpy cartoon clothing of *Pocahontas* and *The Little Mermaid*. Giving an unintentional plug to one of the country's sexiest lingerie chains, they say the animated star of Pocahontas wears nothing more than a "Victoria's Secret little slip". The sin of mermaid Ariel is that she swans about wearing no more than "two tiny seashells".

The Financial Times

100 years ago

New Chinese Loan
The negotiations of the Chinese Government with the Bank of Hongkong with regard to the loan of 100,000,000 taels to be made by the latter have brought on the discussion of far-reaching reforms, involving nothing less than the placing of the collecting of the Li-Kin Gabelle (salt-tax) and the taxing of land in several provinces, in the hands of Englishmen, together with the collecting of Customs, thus rendering the central powers at Peking much more independent than the provinces as regards the control of financial matters.

50 years ago

Middle East Expansion
The news this week that work has started on the Iraq Petroleum's 16-inch pipeline from the Kirkuk field to Haifa is welcome. Another pipeline of similar diameter is being constructed from the same field to Tripoli. The former line is expected to be completed early in 1949 and the latter during 1950. These are additional to the two 12-inch pipelines to the same terminals which have been in operation since 1934 and will increase the capacity from 4 million tons to some 13 million tons a year.

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Monday August 4 1997

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Nomura in overseas shake-up to compete with western banks

By Gillian Tett in Tokyo

Nomura, the disgraced Japanese securities company, plans to restructure part of its overseas operations in an effort to compete more effectively against western investment banks.

The focus of the revamp will be a switch from regional organisation of activities to a single global structure, divided into product areas, according to Mr Junichi Ujiie, Nomura's president.

The move comes as company officials acknowledge that its overseas operations, currently run as separate regional companies, are struggling to compete with top western investment banks in many areas of global investment banking.

In a Financial Times interview, Mr Ujiie said: "We have some strong areas, such as securitisation. But in other areas we are behind groups like Merrill Lynch or Goldman Sachs. That is because we do not have an integrated global distribution system, so we need to change that."

The restructure is part of a broader strategic review in the aftermath of the recent corporate scandal. The Japanese government last week banned Nomura from parts of the domestic market for several months as a punishment for its links with sokaiyo, Japanese corporate racketeers.

Mr Ujiie took over as president in April after a group of senior managers resigned over the scandal. He is expected to unveil the group's new corporate strategy at a meeting of branch managers in September. He wants Nomura to remain focused around areas that are "a natural extension of securities and capital markets business".

"A few years ago there were a lot of groups trying to be financial supermarkets. We don't want to be that," he said.

Within Japan, Nomura wants to expand into underdeveloped areas that are expected to grow as a result of "big bang" financial deregulation. These are likely to include securitisation, derivatives, mergers and acquisitions, and corporate restructuring. "If we do not have the capacity or skills to do this here in Japan we will import them or, if necessary, look at equity relations," Mr Ujiie said.

Overseas staff levels are expected to be unchanged at about 3,000. Within Japan, Mr Ujiie expects staff numbers to fall slowly from the present 12,000 as the group plans for "big bang". "The business environment will change dramatically, so we need to ask whether we really need the current size of back offices, settlement divisions and equity operations," he said. "My intention is to increase the efficiency of our employees by reducing slightly."

Mr Ujiie acknowledged yesterday that the sokaiya scandal would dent profits this year. But he said that, if there were no big upsets in the financial markets and if the Japanese economy continued to recover, analysts' forecasts were "probably right". Analysts expect the scandal to dent parent company profits by around a third, leaving them at between Y25bn ($311.9m) and Y40bn.

Mr Ujiie is confident clients who cut ties with Nomura because of the scandal will be back. "We have long-standing, traditional relationships with these clients. If we show them we can offer them a quality service at the right price, I think they will return."

Fortunes favour brave, Page 6
Change of strategy, Page 17

Go-ahead for gold mine project

Placer Dome development set to encourage investment in sector

By Raymond Colitt in Caracas

Placer Dome, the Canadian mining company, has pushed ahead with the long-delayed development of one of Latin America's largest gold mines, opening the way for a possible wave of international investment in Venezuela's mining sector.

Placer Dome and its partner, CVG, the state industrial holding company, have begun a $600m two-year development plan with construction work at the Las Cristinas gold mine, 750km south-east of Caracas.

The Canadian company, which has a 70 per cent stake in Las Cristinas, received an environmental permit and an important tax exemption on Saturday.

Several other mining companies will also receive environmental permits this week, a requirement that has held them up for years, according to Mr Jorge Neher, a legal adviser to the industry.

The moves signal the government's determination to reduce red tape and legal insecurity in the sector.

According to Mr Fred Drew, president of BHP Venezuela, up to $4bn could pour into the mining sector in the short term. Mr Elias Nadim Ynaty, president of the CVG, expects at least three big mining companies to begin developing mines with 3m-6m ounces of gold reserves by 1998.

"We believe other serious international investors will find opportunities here to be part of what promises to be a fascinating growth story," said Mr William Hayes, president of Placer Dome Latin America.

Las Cristinas will eventually account for 10 per cent of Placer Dome's world output. The company expects to recover 80-85 per cent of the mine's proven, recoverable gold reserves, recently increased to 11.8m ounces, at a production cost of less than $200 per ounce. At a rate of 450,000 ounces of gold per year, the mine will produce for more than 20 years.

The project had been further delayed by a rival claim to the rights of Las Cristinas by Canadian mining company Crystallex.

The Venezuelan supreme court rejected the Crystallex claim to Las Cristinas' gold rights on July 15 but agreed to review its claims to the mine's copper deposits. Placer Dome and government officials are confident, expecting a ruling in their favour within weeks.

Following a meeting with the head of the supreme court last week, Mr John Willson, president of Placer Dome, said: "The risk is low enough for us to go ahead with this project."

Mr Elias Nadim confirmed CVG's legal action against Crystallex: "Those that dare to harm the image of Venezuela as a country able to attract foreign investment will have to pay the consequences."

Russia to sell stake in nickel producer

Continued from Page 1

Seleznyev, the Communist speaker of the lower house of parliament, wrote to Mr Yeltsin warning an over-hasty sale of Norilsk Nickel could have "extremely harmful consequences for Russia".

Trans-World Group, which has invested heavily in the Russian metals sector and expressed interest in Norilsk Nickel, also wrote an open letter to Mr Yeltsin arguing that one of the country's "industrial treasures" was in danger of being sold off at a bargain basement price, unless the terms of the auction were changed.

But Trans-World Group has itself come under fire for thwarting the plans of the majority shareholders at Novolipetsk Metallurgical Kombinat, one of Russia's biggest steel plants. Restrictions on foreign ownership of Norilsk Nickel would make it difficult for Trans-World to acquire the government stake outright.

Norilsk Nickel, which owns 35 per cent of the world's nickel reserves as well as large copper, cobalt and palladium deposits, had difficulties last year after incurring a net loss of Rbs3,300bn ($645.5m).

EU to act on modified soya and maize

Continued from Page 1

eventually involve compulsory labelling for all foods that "do" or"may" contain gene modified materials, and voluntary labelling for foods that do not contain them. Brussels officials said last month the rules would not require compulsory separation, or "segregation", of gene modified materials from conventional farm products right from the planting stage – demands vehemently opposed by US farmers.

US farmers export 25 per cent of their soybean crop to the EU.

But it is unclear whether the proposed food labelling rules for maize and soya would require segregation of gene modified crops.

ITT sale

Continued from Page 1

continuing with its bid, which is aimed primarily at acquiring ITT's portfolio of owned hotel assets.

Previous sales included ITT's 50 per cent stake in New York's Madison Square Garden sports and entertainment complex for $650m, a 50 per cent stake in a New York television station for $128.7m,and its 7.5m shares in Alcatel Alsthom of France for $880m.

The company has also said it was entertaining offers for some of its most luxurious hotels, including the St Regis in New York.

Davis Gaming has been given various "change of control" provisions to guard against a possible Hilton takeover.

THE LEX COLUMN

Unleveraged Unilever

Unilever's Damascene conversion to shareholder value is certainly paying dividends. After seven years of hefty provisioning for cost cuts which were handed back to customers, Unilever's profit margins in Europe have improved by 1.7 percentage points in the first half of the year, after removing exceptionals. And the existing push to rationalise cost structures should ensure steady margin improvements over the next year.

The portfolio restructuring, however, is still work in progress. Proceeds from the sale of its speciality chemicals business will mean Unilever could have a £3.5bn cash pile by year end. That would be enough to pay for Reckitt and Colman three times over without becoming financially stretched, but it is still unclear where the money will be invested. At least returns from Unilever's last big acquisition, the $770m purchase of Helene Curtis 18 months ago, are already exceeding its cost of capital. Nonetheless, Unilever's shares are at a hefty premium to the UK stock market and European competitors like Nestlé, so its strategy has already been given the benefit of the doubt.

All this must be somewhat galling to Nestlé. Its shares have underperformed Unilever in recent years, yet it has arguably a more attractive business mix and similar returns on capital. But its focus on shareholder value has been far blunter and it has shrunk from shedding businesses where it cannot build a market leading position. Unilever should be giving Nestlé management plenty of food for thought.

Volatility

Does a rising tide produce bigger waves? With stock markets continuing to climb this year, many investors have started to complain of equities' increasing volatility. If this is really the case, it might signal important information about the future direction of the markets.

Some of what is being observed is undoubtedly illusory – with the Dow Jones index above 8,000, a 100-point movement in a day is no longer what it used to be. But statistical evidence does point to a real rise in volatility. According to Barra, the portfolio risk consultants, the implied annual volatility of the UK's FTSE 100 index (measured on a 30-day rolling basis) has jumped from under 12 per cent to over 15 per cent since April. This means the Footsie's return over the next year has a two-thirds probability of falling within 15 per cant either side of its average level.

The FT All-Share's volatility has risen from 10 to 12 per cent on the same basis, and it is not unusual to see daily moves of 5 per cent in individual blue-chip stocks, even in the absence of any obvious new information.

But this should be put into context – it is a 1997 phenomenon. Over the previous five years, index volatility in the UK, US and Canada had been declining rapidly, with Barra's 30-day measure for the FTSE 100 hitting a low of 8.6 per cent in 1996. In addition, the previous decrease in the volatility of individual stocks had been a worldwide phenomenon. Several explanations spring to mind. More efficient markets, driven by increased use of derivatives as well as greater sophistication on the part of investors, have certainly played a part. Sheer weight of money ironing out potential arbitrages may also have been a factor. And improved transparency by companies should lead to fewer surprises. Meanwhile, longer, flatter economic cycles and lower inflation should make equities safer. This would be consistent with a reduction in the equity risk premium required by investors.

So what has driven volatility up again? There is certainly an implicit connection between high volatility and changes in the direction of markets, though this is hard to prove statistically. Towards the top of a bull market, investors are worried about a big correction and therefore increasingly nervous. That has also caused money to pour into large, liquid stocks, with visible growth – creating packs of "nifty" stocks in most big markets. Allied to that, momentum investment (backing a trend), as opposed to value investing (backing fundamentals) has been gaining popularity as a philosophy.

The growth of indexed fund management may also be a contributing factor. In the UK, for instance, this has led to a huge distortion in the valuation of bank stocks as funds have bought into them as a proxy for new but illiquid building societies. Monetary union also has the potential to shift risks on to equities, as Europe loses its currency markets as a risk buffer – and investors might already be adjusting for that. While these trends persist, investors may have to get used to living with increased volatility.

Telewest/NTL

Telewest's long-suffering shareholders would probably jump at the prospect of somebody putting them out of their misery. But investors hoping for a thumping cash offer for the cable television group are likely to be disappointed. The current informal talks between NTL, another cable company, and TeleWest could produce a merger, but NTL is so loaded with debt it is hardly in a position to pay cash. Even if Lord Hollick's United News & Media becomes involved, the consideration seems likely to be mainly paper.

There could still be value in putting the companies together. Moving the cable industry away from a patchwork quilt structure should yield efficiencies. Larger groups would also have more bargaining power with programme suppliers such as British Sky Broadcasting. In the longer run, it could make sense for a combined Telewest/NTL to link with Cable & Wireless Communications to form a nationwide telecoms/TV group. But just because such schemes sound fine in theory does not mean they will occur. After all, Telewest held long discussions with Nynex Cable Communications, now part of CWC, which came to nothing.

The more intriguing question is why United is apparently interested in taking a stake in a combined Telewest/NTL. Perhaps United – which is the smallest of the big three ITV groups and lost out in its bid with NTL for the main digital terrestrial licence – is worried about becoming the also-ran of British commercial TV. The concern is that it might then pay steep prices for any opportunities – as it did with HTV.

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FT WEATHER GUIDE

Europe today

The Mediterranean will be mostly hot and sunny again with pleasant onshore breezes on coasts and islands during the hottest part of the day. Away from the coasts, many places will be very hot.

There may be scattered showers and thunderstorms in northern parts of Spain and Portugal later on.

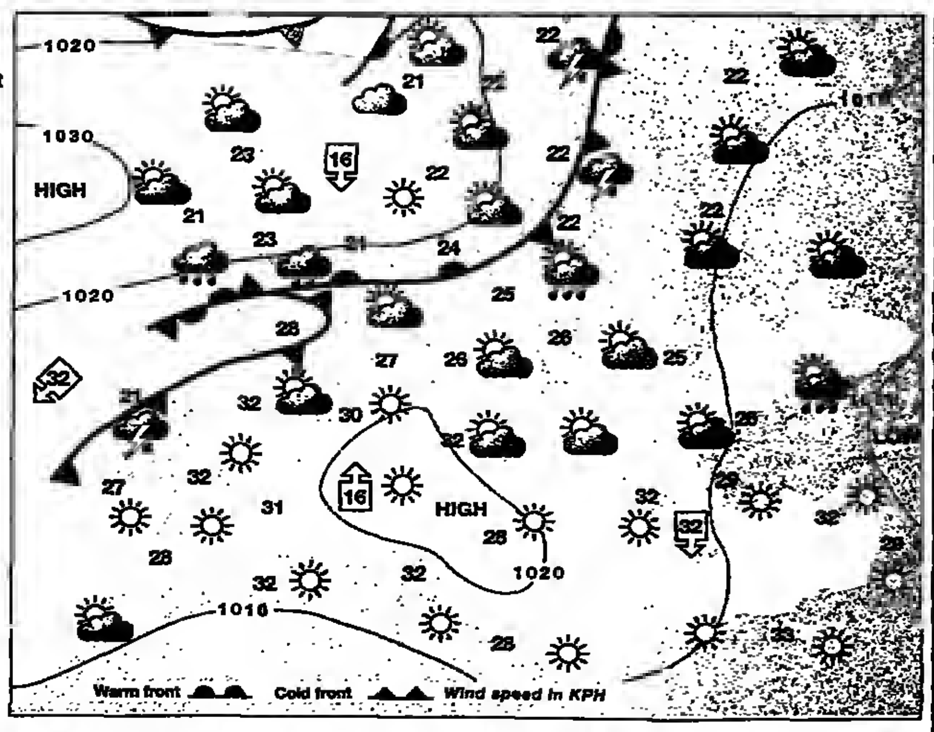
There will be plenty of warm sunshine in France, Germany, central Europe and the Balkans, but northern France and the Benelux will have thundery rain.

Southern Scandinavia will be fair and warm with sunny spells, but thunderstorms are likely in Finland and the Baltic States.

Five-day forecast

It will be hot, humid and thundery in much of Iberia, France and parts of the British Isles. The Mediterranean, central Europe and much of Scandinavia will be dry, sunny and very warm.

Eastern Europe will be cooler and cloudier with showers developing.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Belfast	Cloudy 22	Casablanca	Fair 25	Gibraltar	Cloudy 27	Manchester	Fair 21	Rome	Sun 32
	Celsius	Belgrade	Cloudy 25	Chicago	Sun 26	Glasgow	Cloudy 21	Manila	Shower 33	S. Frsco	Sun 24
Abu Dhabi	Sun 40	Berlin	Fair 24	Cologne	Shower 26	Hamburg	Fair 24	Melbourne	Fair 15	Seoul	Thunder 30
Accra	Fair 26	Bermuda	Fair 30	Dakar	Fair 30	Helsinki	Cloudy 23	Mexico City	Fair 27	Singapore	Cloudy 33
Algiers	Sun 33	Bogota	Fair 18	Dallas	Thunder 36	Hong Kong	Cloudy 30	Miami	Fair 34	Stockholm	Cloudy 24
Amsterdam	Fair 23	Bombay	Shower 31	Delhi	Fair 31	Honolulu	Fair 32	Milan	Fair 33	Strasbourg	Fair 29
Athens	Sun 32	Brussels	Fair 22	Dubai	Sun 40	Istanbul	Fair 26	Montreal	Fair 21	Sydney	Shower 18
Atlanta	Fair 33	Budapest	Fair 26	Dublin	Cloudy 20	Jakarta	Fair 32	Moscow	Fair 23	Tangier	Fair 26
B. Aires	Fair 8	C.Hagen	Fair 22	Dubrovnik	Fair 26	Jersey	Fair 22	Munich	Fair 26	Tel Aviv	Fair 30
B.Ham	Cloudy 22	Cairo	Fair 32	Edinburgh	Fair 18	Karachi	Fair 35	Nairobi	Fair 26	Tokyo	Fair 30
Bangkok	Cloudy 33	Cape Town	Fair 14	Faro	Sun 25	Kuwait	Sun 45	Naples	Sun 31	Toronto	Rain 20
Barcelona	Fair 29	Caracas	Fair 32	Frankfurt	Fair 28	L. Angeles	Sun 27	Nassau	Fair 33	Vancouver	Fair 23
Beijing	Fair 33	Cardiff	Shower 21	Geneva	Sun 27	Las Palmas	Fair 29	New York	Rain 24	Venice	Fair 25
						Lima	Cloudy 24	Nice	Sun 30	Vienna	Cloudy 25
						Lisbon	Sun 27	Nicosia	Sun 33	Warsaw	Fair 23
						London	Cloudy 24	Oslo	Fair 22	Washington	Fair 26
						Lux.Bourg	Fair 24	Paris	Sun 34	Wellington	Shower 8
						Lyon	Sun 36	Perth	Shower 19	Winnipeg	Fair 22
						Madeira	Cloudy 26	Prague	Sun 25	Zurich	Fair 27
						Madrid	Fair 32	Rangoon	Cloudy 30		
						Majorca	Fair 31	Reykjavik	Rain 13		
						Malta	Fair 29	Rio	Sun 30		

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Monday August 4 1997 Week 32

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IN BRIEF

Europe warms to loan market

Bankers involved in Europe's syndicated loan market say a quiet revolution is beginning to take place. Although few believe the cycle of falling loan margins is over, many are confident the development of a secondary market will make life easier for players. Page 20

US insurers hasten consolidation
Consolidation in the US insurance industry quickened in the first half of this year, with 104 deals valned at $16.5bn taking place, according to new research from SNL Securities, a Virginia-based research firm. The final tally for the year is likely to far exceed last year's total of $21.8bn. The US insurance sector has been harmed by excessive competition for some time. Page 17

UBS leads advance at Swiss banks
The leading Swiss banks are expected to report a sharp improvement in first-half net profits this week as worldwide equity gains prompt jumps in trading and commission income, analysts said. Union Bank of Switzerland releases its first-half results tomorrow, followed by Swiss Bank Corp on August 13 and Credit Suisse Group on August 27. Page 16

Hong Kong bank lifts interim profits
Bank of East Asia, Hong Kong's third biggest listed bank, kicked off the sector's half-year reporting season with a 21.7 per cent increase in net profits from HK$846.9m in the first six months of 1996 to HK$1.03bn (US$133m) this time. The results were above expectations, pushing full-year forecasts np. Page 17

Auction to reveal health of 'agbio'
A small UK biotechnology company with a powerful portfolio of plant patents has put itself up for sale. The outcome of the auction for Pestax will show the valne of intellectual property in the fast-growing field of agricultural biotechnology or "agbio". Page 16

Outlook for Malaysia tied to Thailand
Dr Mahathir Mohamad and others say Malaysia's economy is sound and should not be compared with that of Thailand, but economists say that, while Malaysia's economy is strong, the outlook for its currency, and therefore interest rates and the stock market, is linked to the Thai baht. Page 20

Heron to buy £121m property portfolio
Heron International, the rapidly expanding European property company run by Mr Gerald Ronson, has agreed to acquire a portfolio of seven investment properties in the UK for £121m ($202m) from a subsidiary of Hypo Bank. The acquisition is to be partly financed by a pre-arranged 10-year Hypo Bank loan. Page 16

Investors look to five telecom offerings
Between now and the end of this year, investors will be asked to buy shares in no fewer than five international telecommunications operators. Telstra of Australia, Telecom Italia, and probably France Telecom will be floated through initial public offerings. There should also be a third tranche of Portugal Telecom and a stake in Hungary's Matav. Page 18

Telewest considers merger proposal
Telewest, the UK's second largest cable company, is considering a proposal from Mr Barclay Knapp, chief executive of NTL, the cable and broadcast services group, that tha two companies should merge. The aim would be to create a gronp larger than Cable and Wireless Communications. Page 16; Lex, Page 14

Metro wants acquisition finance
Metro, the German retail group, will next month ask shareholders for authorisation to raise new capital to help finance future acquisitions. Metro has indicated it wants to buy other companies in Germany and abroad. Page 17

Internet shopping move by Telekom
Deutsche Telekom, the German telecoms giant, has agreed to use programs from Intershop Communications, a tiny Silicon Valley transplant from eastern Germany, to create a new generation of internet shopping sites, or cyberstores. The contract is understood to be worth $25m over five years. Page 17

Spanish cable deal cleared
The Spanish government has approved the acquisition of 32.5 per cent of Spain'a largest cable operator, Cableuropa, by a US investor group led by Callaghan Associates International of Denver. The decision means the US group, Spanish Telecommunications is free to acquire equity interests in the subsidiaries of Cableuropa. Page 17

Companies in this issue

Market Statistics http://www.FT.com

Siberian Oil leads Russian bond issues

By Edward Luce in London

The Siberian Oil Company – Russia's fourth-largest measured by refining capacity – has become the first Russian corporation to tap the international bond markets, with a $125m offering.

Other corporate borrowers in the pipeline include Gazprom, the gas company, and Lukoil, Russia's largest oil company. Both are expected to be seeking much larger amounts. Others due to issue international bonds include Red October, a Russian confectioonery company, and Tatneft, the oil company of Tatarstan, an autonomous republic.

The Siberian Oil Company (Sihneft) bond has surprised the markets, because, owing to tax negotiations between Sibneft and the Russian government, it had been planned as a private placement.

However, last week's agreement to clear Sibneft's $782m outstanding tax arrears to the government enahled the company to convert the bood into a public offering. It had not wanted to publicise its debt-raising plans during talks.

"The tax agreement has enabled us to issue a conventional eurobond by providing full disclosure about Sibneft's tax situation," said an official at Salomon Brothers, lead manager of the deal.

Traders said the three-year bond, priced to yield four percentage points more than US Treasury bonds, was well received by investors. Salomon Brothers said all the paper had been pre-placed with leading fund managers and insurance funds.

"Investors were very confident about this bond owing to Sihneft's strong oil reserves," said one. With 4bn barrels of crude oil reserves, compared with 4.7bn for British Petroleum and 2.9bn for Mobil, Sibneft is relatively risk-free.

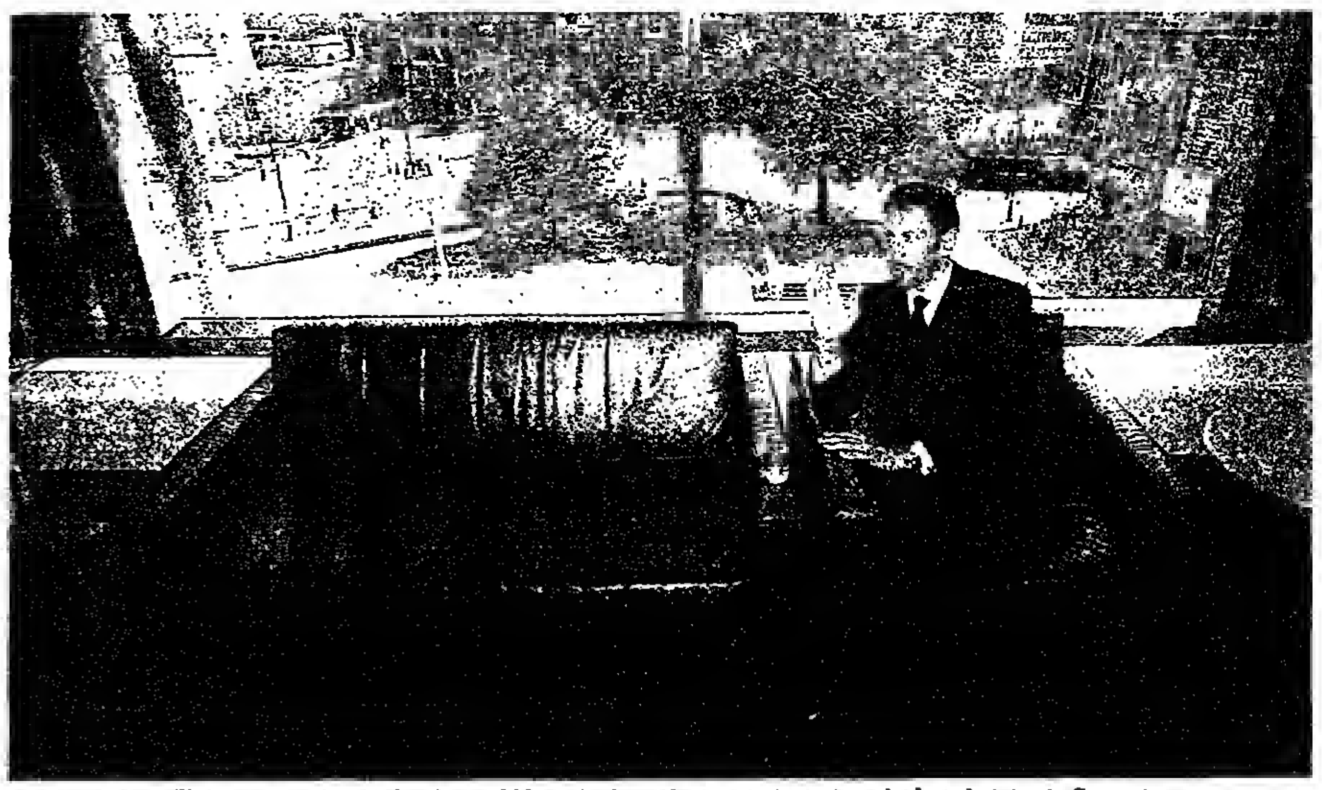
Investors bave consequently accepted a lower premium on Sibneft's bond than on recent debut issues by three Russian banks, all of whicb offered bouds with spreads in excess of 4 percentage points. "If you are going to buy Russian paper it is better to huy into either oil or gas because Russia has enormous reserves and therefore dollar assets in both sectors," said one official.

Bankers said investors were unconcerned that Sihneft did not bave a credit rating from any of tbe international agencies. Under agency regulations, borrowers must have at least two years of internationally accepted audited results before qualifying for a rating. Sibneft's first audited results will come in September.

Steve Jobs now writing plot and auditioning cast for management soap opera

Big names in line to join Apple

By Louise Kehoe in San Francisco



Larry Ellisoo, billionaire chairman of Oracle, could be poised to take an empty seat on the board at Apple Compnter Picture: Colin Beere

Apple Computer's management melodramas are set to continue this week amid speculation that the struggling personal computer pioneer will add some "blg names" to its hoard of directors.

Topping the list is Mr Larry Ellison, the multi-billionaire chairman and chief executive of Oracle, the database software group. Mr Ellison told a French newspaper last week that he would become a member of "Apple's new management team", joining his long-time friend Mr Steve Jobs.

Others named as potential board members include Mr John Warnock, chairman of Adobe, a graphics and printing software company long allied witb Apple, and Mr Daniel Case, an investment banker at Hambrecht & Quist.

Meanwhile, Mr Jobs' future role is unclear. Mr Ellison, at least, seems to expect him to be at the helm of the Apple "team" following the forced departure of Mr Gil Amelio. Even Mr Jobs has acknowledged that the revolving door on Apple's management suite bas created a "soap opera". Yei he now appears to be writing the plot.

Ousted from the company he belped to form in 1985, Mr Jobs returned to Apple in the unofficial role of "part-time adviser" last December wben be sold NeXT Software – another venture he bad founded – to Apple. Since then, he has become the power behind the throne – closely involved in strategic and day-to-day management decisions, according to insiders.

With Mr Jobs set to represent Apple in a keynote address at the MacWorld Expo trade sbow in Boston on Wednesday, speculation bas grown that be may stage a triumpbant return as chairman.

But he told employees at Pixar, the film animation studio wbere he is chief executive, tbat be had declined Apple's invitations to hecome chairman or chief executive.

Instead, Mr Jobs – a member of Apple's searcb committee for a new chief executive – is reported to be trying to persuade Mr George Fisher, chief executive of Eastman Kodak, to take over the reins.

Mr Jobs is is expected to announce this week that Apple will pull back from licensing software to other manufacturers. He is said to be determined to focus the company on specialist segmeots of the PC market, including education and publishing.

Mr Ellison bas other ideas: be would like to see Appla enter the nascent market for the low-cost network computers be has been promoting.

Neitber plan would belp Apple, say industry analysts. It risks losing the support of third-party software developers if it does not continue to license Macintosb software to clone manufacturers.

Targeting specialist segments of the PC market bas loog been tbe foundation of Apple's strategy, but it has not been successful. Network computers could create excitement for Apple, but are unlikely to reduce the group's losses.

China gives go-ahead to ICI's venture in Shanghai

By James Harding in Shanghai and Roger Taylor in London

Imperial Chemical Industries yesterday won Chinese approval for a $400m joint venture in Shanghai, paving the way for the largest chemicals venture in the city and one of the largest polyurethane plants in the world.

The deal is part of the UK chemicals company's $500m expansion into manufacturing polyurethane in Asia, which includes a $24m investment in South Korea. The Chinese venture has been under development since 1995 when an agreement in principle was announced.

Chinese government media reported yesterday that the state planning commission, whicb is involved in the approval process for all hig projects in China, had given its snpport to the venture, which aims to produce 100,000-150,000 tonnes of raw material to make polyurethane.

ICI already has a blending plant in China. It converts the raw materials into polyurethane foam used in cars, bousehold appliances, shoes and building insulation. Mncb of the demand for the increased outpnt will be to make refrigerator insulation. China manufactures about one fifth of the world's refrigerators.

ICI has identified polyurethane as one of the more specialised materials to focus on, following the sale of its beavier industrial husinesses.

The Chinese polyurethane sector, which suffers from ontdated technology and a shortage of funds for researcb and development, has been seeking foreign partners to help meet demand from domestic car manufacturers and electric appliance makers.

ICI's partners are Nippon Polyurethane Industry of Japan, in which it has a 25 per cent stake, and Shanghai Tianyuan Chemical Works of China. The venture is tipped to be based in Sbangbai's petrocbemicals development zone in Hangzhon Bay.

Hanbo steelworks put to auction by creditor banks

By John Burton in Seoul

Creditor banks for Hanbo Steel will try to auction the Korean company's bankrupt steelworks next week, baving rejected a Won2,000bn ($1.4bn) joint offer by Pohang Iron & Steel (Posco) and Dongkuk Steel as too low.

The creditors, led by Korea First Bank, said the joint bid fell well sbort of the steelworks' valnation of Won4,900bn. There was also concern that Posco and Dongkuk would not take on Hanbo Steel's Won6,000bn debts.

They also said Posco wanted Won430bn of its offer price to go to subcontractors of Hanbo Group's construction arm, which would further reduce payments to creditors.

It was the construction of the still uncompleted steelworks, said to he the sixth largest in the world, that led to the collapse of Hanho. The resulting bankruptcy uncovered a financial scandal in which company executives and senior government officials were implicated. Several of them have been jailed.

The hanks said the bid from Posco and Dongkuk would have forced them to write off up to 60 per cent of Hanbo's loans. Hanbo Steel shares reacted to the banks' rejection of the bid by falling by their daily limit to Won3,920 in half-day trading on Saturday on the Seoul bourse.

The banks' auction, set for August 12, is likely to prove as unsuccessful as two previous attempts last month to sell the plant, when no bids were offered. Hyundai, whicb had been thought to be interested in taking over Hanbo as a means of expanding its steel husiness, said recently that it had no intention of bidding for the steelworks.

Hyundai is already facing new financial burdens as it prepares to snpport or possibly take over Kia Motors to prevent tbe near-bankrupt car company from falling into the hands of the Samsung group.

Hyundai, Korea's largest carmaker, wants to block an attempt by Samsung to become a main competitor in the domestic car industry.

If Hyundai still refuses to bid for Hanbo, the banks may be forced to accept Posco and Dongkuk's offer, since no other companies are believed to be interested.

Buoyant sales to boost Nokia

By Greg McIvor in Stockholm

Buoyant sales in the global mobile telephone market are expected to drive a big rise in profits at Nokia of Finland, the world's second-largest supplier of cellular handsets, wben it announces half-year figures today.

Analysts are forecasting that pre-tax profits will rise from FM1.1hn ($200m) to around FM3.1bn. Investors' expectations have been heightened by strong reports from Sweden's Ericsson and Motorola of the US, Nokia's foremost competitors in mobile phones.

Nokia's figures were beld back last year by internal logistical problems in the fast-growing mobile pbones division. These problems were resolved later in the year, and Nokia has since reported a strong expansion of both its portable handset and mobile infrastructure operations.

Mr Douglas Smith, European telecoms analyst at Salomon Brothers in London, forecasts that sales growth in Nokia's mobile phones will be around 40 per cent or higher in the second quarter.

Ericsson's sales of mobile terminals jumped by more than 100 per cent in the first six months, while Motorola's profits also came in well ahead of market predictions. Nokia is significantly larger in cellular phones than Ericsson and would be unable to reproduce the latter's treble-digit growth from its higher base.

Nevertheless, Nokia's total sales are expected to advance hy about 35 per cent in the second quarter, compared with a 34 per cent improvement in the first quarter. This reflects the likelihood that growtb in mobile bandsets will be offset by lower growtb in mobile infrastructure.

Among factors in Nokia's favour are the strong US dollar, which will lift earnings, and lower than expected erosion of bandset prices.

Ericsson, which like Nokia is perceived as an upmarket brand, reported a sharp easing of pricing pressure in the second quarter. Analysts expect a similar experience at Nokia.

Analysts said Nokia might be forced to surrender some of its 12-13 per cent margin in mobile handsets.

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SINO

SINO MINING ALUMINA LIMITED

US$180 Million Term Loan & Credit Facility

Joint Arrangers

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Co-Arrangers

Banque Française du Commerce Extérieur
Bayerische Hypotheken und Wechsel Bank Aktiengesellschaft
Cho Hung Bank
Commonwealth Bank of Australia
National Australia Bank Limited
The Royal Bank of Scotland plc
The Sanwa Bank Limited, Hong Kong Branch
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COMPANIES AND FINANCE

Telewest considers NTL merger proposal

By Raymond Snoddy

Telewest, the UK's second largest cable company, is considering a proposal from Mr Barclay Knapp, chief executive of NTL, the cable and broadcast services group, that the two companies should merge.

The talks are believed to be at an early stage, but tbe aim would be to create a group bigger to cable TV than Cable and Wireless Communicalions. Tbe formation of CWC from Nynex Communications, Bell Cablamedia, Videotron and Mercury Communications created a cable company with 5.4m homes under franchise.

A merger of Telewest and NTL, known until recently as International CableTel, would conlrol franchises totalling more than 7m bomes. Since the CWC deal Telewest's share price has suffered – oo Friday it closed at 79p – valuing it at £732.8m ($1.2bn) – compared with a 1997 high of 139½p.

Telewest has been linked with several other cable companies amid a growing belief that further consolidation in the cable industry is inevitable.

Whether or not Telewest has to make a stock exchange announcement about the talks today will depend on whether there is any dramatic movement in the shares.

Mr Knapp, who was successful in mobile communications in the US, has been an aggressive player in the UK cable industry. CableTel developed the idea of offering small, basic packages of channels to entice subscribers.

The Nasdaq-quoted company bought NTL, the former transmissioo and engineering arm of the Independeot Broadcasting Authority, and was an unsuccessful applicant for the main block of commercial digital terrestrial television frequencies.

Lord Hollick, chief executive of United News and Media, agreed to join the digital proposal if it had been successful. It is less clear whether Lord Hollick, in the process of completing the acquisition of HTV, the ITV company for Wales and the West of England, is likely to take a stake in the cable industry through a merged Telewest-NTL.

What is clear is tbat the next stage of consolidation of the cable industry will revolve around Telewest. It is close to completing an internal strategy review whicb could lead to significant redundancies.

Lex, Page 14

Auction to reveal health of 'agbio'

By Clive Cookson, Science Editor

A small UK biotechnology company with a powerful portfolio of plant patents has put itself up for sale. The nutcome of the auction fnr Pestax will show the valne of intellectual property in the fast-growing field of agricultural biotechnnlogy or "agbin".

Pestax has a dozeo patents that make broad claims over the genetic engineering of plants to kill or deter insect pests.

The beneficiaries of a sale would be the five founding directors who nwn 57 per cent of the shares, and the three institutinns that financed the managemant huy-out: 3i, Credit Suisse and Schroder Investment Management.

The nutcome is hard to predict. It depends whether several companies are interested enough to bid against each otber. But the proceeds are likely to be in the £10m-£50m range ($17m-$83m).

Burrill & Company, the San Francisco merchant hank managing the sala, says "the breedth of Pestax's patents should provide a significant barrier to potential competitors".

The Pestax patent portfolio results from a 13-year research programme originating in the Agricultural Genetics Company – formed in 1983 to expinit plant biotechnology in government-funded research institutes. Most of the research was carried out at the universities of Durham in the UK and Leuven in Belgium.

The company's genetic engineering interests were spun off in 1993, as Axis Genetics, and bought ont by the existing management in 1995. Then, in 1996 the Pestax crop cootrol business was demerged from Axis, which now concentrates on human vaccines and other drugs in plants.

Dr fan Cubitt, chief execntive of Axis and Pestax, says Pestax has been operating as a "virtual company", looking after its intellectnal property and collaborative research projects, without employing its own staff or spending significant funds on development.

He says the time has come to sell because Pestax would find it hard, as a small biotechnology company, to raise enough money fordevelopment.

The total area planted with crops genetically engineered to resist pests rose from an estimated 3m acres in 1996 to 10m acres this year – mainly cotton in the US. These plants contain a gene from *Bacillus thuringiensis* (Bt) bacteria; it prodnces a toxin that kills insects which try to eat the crop.

But Dr Cubitt says large companies competing in the insecticidal crop market, such as Monsanto of the US and Novartis of Switzerland, want to add other bio-pesticides to crops with Bt genes, so as to give multiple resistance to different types of insect.

Viglen to open 'below forecast'

By Christopher Price

Shares in Viglen Tecbnology, the persooal computer group spun off from Amstrad, are likely to open at between 65p-75p ($1-$1.24) today – well below the level envisaged by the company and its advisers.

At these levels Vigleo would be valued at £78m-£88m, some £20m below tbe boped-for level.

The lower than expected price is likely to halt the sale by Mr Alan Sugar, chairman of Amstrad, of a 20 per cent stake in Viglen.

Mr Sugar agreed to dilute his interest as part of the flotation process. He said that Deutscbe Morgan Grenfell, the company's adviser, bad told him his 34 per cent holding was "too dominant for tbe float to get off successfully".

He added: "I agreed to the 10 per cenl ceiling but on the condition tbat I get good value. Viglen is a very good business in a fast growing market. I am not a charity."

He said that a oumber of institutions bad already been lined up to take the stock.

However, if it did not bappeo today, he would retain his entire holding indefinitely.

"We do oot wanl the prospect of my sbareholding hanging over Vigleo going forward. Tbare will be no drip feeding into the market."

Gerald Ronson has shown confidence in property market

Heron to buy £121m property portfolio

By Jim Kelly

Heron International, the rapidly expanding European property company run by Mr Gerald Ronson, has agreed to acquire a portfolio of seven investment properties in the UK for £121m ($202m) from a subsidiary of Hypo Bank.

The acquisition is to be partly financed hy a pre-arranged 10-year Hypo Bank loan. It hrings the value of transactions announced hy Heron, which was rescued in 1995 by US investors, to £750m in the past eight months.

Heron said yesterday: "This is the first major investment scquisition in the UK for some time – certainly since before the restructuring."

The portfolio covers seven properties, amounting to 520,000 sq ft of office space occupied on long leases with about 20 years to run.

Heroo believes there is potential for substantial capital appreciation. Tenants include Allied Dunbar, the Post Office and the government.

The move contrasts with recent announcements of speculative developmeot projects.

Last month Heron said it was buying the freehold of a City of London building from Lloyds Bank. It would develop a 115,000 sq ft office building with 11 levels and car parking.

Other projects have included a £200m land development project in Wales and a £135m development programme of five leisure sites in France and Spain

Heroo, believed to have been the UK's largest private company until it ran into difficulties in the early 1990s, has in the past giveo few datails of tbe fioancing of such projects, other than to say it would come from shareholders.

Mr Gerald Ronson, chief executive, said: "It is a sign of our confidence in the UK property market in respect of qoality properties in select locations and we intend to retain this portfolio as a first-class investment."

Mr George Funke, general manager of Hypo Bank, said: "We are oot only providing the funding: we are also providing the investment opportunities. We are delighted to have forged this new relationship with the Heron group."

Heron, which has its headquarters in London, also has offices in Paris and Madrid.

Tesco looks to expand in south-east Asia

By Peggy Hollinger

Tesco, tbe UK's leading supermarket group, is considering expanding into south-east Asia, where rapidly growing markets bave attracted a growing number of US, Japanese and European food retailers.

Tesco is believed to be the first of the UK's big four supermarkets to contemplate Asian expansion. The company has sent a senior manager to Hong Kong, where it has a buying office, to contsct potential partners.

The manager will investigate the most attractive markets for Tesco-style food retailing. The company is likely to focus initially on opportunities in Hong Kong and China.

Asia has become a magnet for foreign retailers attracted by the rapid emergence of a substantial middle class, tbe lifting of restrictions, and relatively inefficient local distribution.

Carrefour of France and Makro of the Netherlands are building a sizeable preseoce in many south-east Asian countries, as are Asian retailers such as Jusco of Japan, part of the Aeon group of companies.

If Tesco does decide to expand in Hong Kong it could face serious competition from Carrefour and Jusco, which operates the equlvalent of hypermarkets in the basement of its vast department stores.

Jusco has already incorporated many of the initiatives being adopted by UK supermarket groups such as a customer loyalty programme, in-store bakeries and take-away food courts.

It is also planning an aggressive programme of new stores for Hong Kong, which it hopes will be huilt with housing estates planned by the regional governmeot. This sbould give it a head start in the fierce battle for property which has forced Hong Kong retail rentals to exorbitant levels.

Aoalysts believe that expanding into Asia makes sense for supermarket groups because they can tap into global sourcing from their suppliers. "Big manufacturers sucb as Procter & Gamble give global prices," said a retail analyst.

Tesco is also expanding in eastern Europe, where it has operations in Hungary, Poland, the Czech Republic and Slovakia.

NEWS DIGEST

Petra attacks 'unfair' dealings

Mr Adonis Pouroulis, chief executive of Petra Diamoods, which joined Aim in April, has formally complained to regulators of the Londoo Stock Exchange about "irregularities" in the company's share dealings.

However, company advisers yesterday acknowledged that there was no firm evidence of share price manipulation, only market rumours. It is understood the regulators said they were unable to act unless there was greater proof of manipulatioo.

Mr Pouroulis said yesterday that he met the regulators last Thursday, following market rumours that some of the market makers in Petra's stock had sold it very short.

Petra floated at 30p, but quickly went to a peak of £1.23½. However, by the end of last week the price had retrealed to £1.01½. "To my certain knowledge 35,000 shares were bought last Thursday and none sold, yet the price still went down. We find this mystifying," said one of Petra's advisers yesterday.

The collapse in the price has not put-off plans to raise £4.5m of finance through a placing of 3.6m sbares at £1.25 eacb.

Gary Mead

Arjo Wiggins dips 8%

Arjo Wiggins Appleton, the Anglo-Freoch paper group, has reported a near 8 per cent drop in second quarter turnover to £826m. Sales for the first half were down nearly 12 per cent at £1.64hn against £1.86bn.

The company said the figures, complying with Paris bourse requirements, had been "heavily affected" by the strengtb of sterling.

But it said that when retranslating the 1996 figures at constant 1997 exchange rates, turnover for the second quarter was up 4.3 per cent. Using this year's exchange rates turnover in the second quarter last year would have been £792m, ratber than £895m.

In transaction lerms, however, the company, which has extensive operations in the US and continental Europe, has beeo much less affected by the strong pound than other UK-based companies in the sector.

ERAtech to seek listing

ERAtech, whicb specialises in waste recycling, is to seek a listing oo the Londoo Stock Exchange later this year.

Its main business involves creating joint ventures with waste handling companies. These ventures take solvent wastes from industry, and, by using ERAtech's technological capacity, blend them and recover energy value in an environmentally acceptable fashion. The resulting fuel – secondary liquid fuel (SLF) – is supplied to cement manufacturers.

● Ultraframe group, the Lancashire-based designer and manufacturer of conservatory roofing systems, is also seeking a listing later this year. BZW is sponsor and financial adviser, and BZW Securities is the broker. For the year to September 30 1996 it reported a pre-tax profit of £7.6m on turnover of £42.4m.

Virgin probes bank launch

The Virgin group said yesterday tbat it was studying the possibility of setting up a bank. The study follows Virgin's launch in 1995 of a personal equity plan sold over the telephone.

The group, whose other activities include the Virgin Atlantic airline, railways, soft drinks and retailing, would not say what form the bank would take. However, industry observers say Virgin is unlikely to make a bid for one of the remaining UK building societies as it would not want to set up or operate a high street branch network.

Media, Page 10

Biomedica seeks fresh funds

By Roger Taylor

Oxford Biomedica, the gene therapy company, is planning to raise between £5m-£10m to fund research into cancer treatments following its disastrous flotation on Aim last year.

However, its fund raising efforts will receive a boost today when it announces plans to start trialing drugs in 1998, one year earlier than expected, after the acquisition of a new tumour targetting technique.

The company specialises in using genes to cure disease.

In February it bought the rights to Hypoxia Response Element, which exploits the lower levels of oxygen found in tumours to trigger cancer-killing genes.

Using this technology, it now aims to begin patient trials of gene-based treatments for breast and other cancers in the next eighteen months.

In its first interim results as a public company due out today, Oxford Biomedica is expected to reveal net casb of £3.1m left at the half-year end following a £1.3m loss for the nine months to June.

Network in £5m equity issue

By Sander Thoenes

Network Technology, tbe designer and manufacturer of print server and networking technology, will announce this week that it is raising about £5m ($8.3m) aod transferring from the Alternative Investment Market to the main market.

The equity issue comes at a time when the company's sbare price on Aim, where it listed last year, is at its lowest since November, at 164½p. This compares with a bigh of 239½p in February, when the shares started slipping.

But Mr Klaus Bollmann, Network's German founder and chief executive, said his strategy was based on riding the waves of innovatioo in computer networking. By 1998, he wants 80 per cent of bis revenue to come from new products, against 10 per cent now. "We know what's going to happen," Mr Bollmann says. "You can't be too much driven by the share price; strategies are time-expiring." He added that a share lssne now would allow the company to borrow later for a large acquisition.

Radical proposal from Norwalk

Jim Kelly on moves towards a global standard for treatment of derivatives and hedging

In the quiet seaside town of Norwalk, Connecticut, Ed Jenkins has just taken up his new job. In the past it was a job almost as obscure as the place itself - al least outside a small circle of US regulators and busioessmen. But the rest of tbe world should take an interest in Norwalk.

The town, on Long Island Sound, is the unlikely home of the Financial Accounting Standards Board - the official body responsible for laying down the rules under which US companies draw up their *annual* accounts - and Ed Jenkins is its new chairman.

US companies have to follow this code and any foreign company wishing to raise capital through a US listing has to follow it too. Jenkins - in the job less than two weeks - has just taken his first big decision.

After several months of prevarication the board announced that it will later this year publish lls final standard on how companies should account for derivatives and hedging - lo take effect from January 1, 1999.

While this announcement will have immediate relevance for US companies - in that it can have a big impact oo balance sheets and profitability - it will echo far beyood the US. Stock market regulators from around the world meet next year to consider endorsing a single set of accounting standards for use around the globe. At the moment no etandard oo derivatives has been agreed - but the US version may prove a timely and politically attractive blueprint.

Norwalk's proposals are radical. Derivatives, such as swaps, forward contracts, and options, should be recognised in the accounts at their market value - in other words "marked to market". If this value drops between one set of accounts and the next the differeoce would depress profits - a rise would boost them.

This would apply to all derivativee except thosa used to "hedge" - that is to cover tbe risk inherent in another derivative - such as a forward contract. If a transaction qualifies as a bedge the impact on earnings can be delayed until the hedge has unwound.

This is brave stuff. A few countries - such as the US and the UK - require, or will soon require, companies to *disclose* derivatives. But this new standard requires them to be *measured* for the first time anywhere in the world - and for changes in value to hit profitability.

Around the world other standard-setters have heen struggling with derivatives for several years. While the controversial and radical preference to mark them to markat is gaining wider acceptance there is still resistance - especially outside the UK and US.

But all regulators have bacome convinced that action is needed - especially in the light of a string of high-profile corporate disasters linked to derivativa trading. Iosco, the club of world stock market regulators, has included a standard on derivatives in the package it hopes to endorse next year when the International Accounting Standards Committee completes its core programme of work.

The committee is running out of time to win backing for a full standard. It wants to go much further than Ed Jenkins. It wants to require derivatives and *financial instruments* - such as loans, bonds and debt - to be marked to market and for any changes in value to be paseed through the profit and loss account - although it also makes a timing exception for hedging.

Sir Bryan has had a frosty relationship with FASB. The committee is well eat to becoms the vehicle through which the world's leading stock markets get their much hoped for single accounting code. But one of its most persistent critics in the past as been the board in Norwalk. These attacks were seen by some as an attempt to secure Norwalk's primacy in world accounting.

But he will see the publication of the standard on derivatives as a great help. It is much easier for him to get attention for the committee's standard if the world's top companies know that the US regulator has at least started out on the same path.

Many observers believe Sir Bryan will finesse the derivatives problem by asking the committee to adopt the US approach - perhaps with a commitment to go further later. That way he could make the deadline and the US Securities and Exchange Commission - the key regulator on Iosco - would be hard pushed to object.

The Burton Group plc
(the "Company")

£110,000,000
4¾ per cent. Convertible Bonds Due 2001
(the "Bonds")

NOTICE OF PERIOD FOR DEPOSIT OF BONDS FOR REDEMPTION AT THE OPTION OF HOLDERS OF BONDS ON EITHER 25TH AUGUST, 1997 OR 25TH SEPTEMBER, 1997 AT A REDEMPTION PRICE OF £190.65 PER CENT.

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT PROFESSIONAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES ACT 1986.

NOTICE IS HEREBY GIVEN to the holders (the "Bondholders") of the Bonds (which are constituted by the Trust Deed dated 10th February, 1987 as modified by the six trust deeds supplemental thereto (together the "Principal Trust Deed as modified"), all made between the Company and The Law Debenture Trust Corporation p.l.c. (the "Trustee")) that, subject to and in accordance with Condition 7(c) ("Redemption at the Option of the Bondholders") of the Bonds, the Bondholders may exercise their option (the "Original 1997 Redemption Option") to require the Company to redeem, on 25th August, 1997 (the "Original 1997 Redemption Date"), all or some only of the Bonds held by them.

As insufficient notice has been given to the Bondholders of the commencement of the period for the deposit of Bonds in exercise of the Original 1997 Redemption Option, the Trustee has concurred with the Company in making modifications to the Principal Trust Deed as modified so that if Bondholders do not exercise the Original 1997 Redemption Option, they may exercise an additional option (the "Additional 1997 Redemption Option") to require the Company to redeem all or some of their Bonds on 25th September, 1997 (the "Additional 1997 Redemption Date"). Such modifications have been effected by a Seventh Supplemental Trust Deed dated 1st August, 1997 made between the Company and the Trustee.

Each Bond in respect of which either the Original 1997 Redemption Option or the Additional 1997 Redemption Option is exercised will be redeemed at a redemption price of 190.65 per cent. of the principal amount thereof (comprising (i) 100 per cent. as to repayment of the principal amount and (ii) a payment by way of supplementary interest on the Bond equal to 90.65 per cent. of the principal amount thereof), together with accrued interest.

The Original 1997 Redemption Option or the Additional 1997 Redemption Option may be exercised in relation to any Bond by depositing such Bond (together with all Coupons maturing after the Original 1997 Redemption Date (in the case of Bonds to be redeemed on the Original 1997 Redemption Date) or the Additional 1997 Redemption Date (in the case of Bonds to be redeemed on the Additional Redemption Date) attached, failing which the Bondholder must pay to the Paying Agent with which such Bond is deposited an amount equal to the face value of any such missing Coupon which amount will be paid against surrender of the relevant missing Coupon at any time following such payment and prior to the expiry of five years from the date on which the payment in respect of the Coupon first becomes due) and an irrevocable written option notice exercising the Original 1997 Redemption Option or, as the case may be, the Additional 1997 Redemption Option (in the form for the time being obtainable from any of the Paying Agents) with any of the Paying Agents at any time after 4th August, 1997 and prior to the close of business on 18th August, 1997 (in the case of the Original 1997 Redemption Option) or at any time after 18th August, 1997 and prior to the close of business on 18th September, 1997 (in the case of the Additional 1997 Redemption Option). Provided That the exercise of the Original 1997 Redemption Option or the Additional 1997 Redemption Option shall not be effective unless it takes place prior to the date on which any notice of redemption is given to the Bondholders with respect to the relevant Bonds by the Company in accordance with Condition 7(b) ("Redemption at the Option of the Issuer") or 7(d) ("Redemption for Taxation Reasons") of the Bonds.

The Paying Agent with which such Bond and option notice are deposited will issue to the Bondholder concerned a non-transferable receipt against surrender of such Bond. Payment of the redemption price will be made on or after 25th August, 1997 (in the case of the Original 1997 Redemption Option) or on or after 25th September, 1997 (in the case of the Additional 1997 Redemption Option) against the surrender of the non-transferable receipt at the specified office of any of the Paying Agents. Payment of interest due on the Bonds on 25th August, 1997 will be made on or after that date against surrender of the Coupons maturing on that date in the usual way. In the case of Bonds in respect of which the Additional 1997 Redemption Option is exercised, payment of interest accrued from (and including) 25th August, 1997 to (but excluding) 25th September, 1997 will be made on or after 25th September, 1997 against surrender of the relevant receipt as described above.

In deciding whether or not to exercise the Original 1997 Redemption Option or the Additional 1997 Redemption Option, Bondholders should bear in mind (inter alia) that, should they not do so, the Bonds would remain convertible into Ordinary Shares of the Company (with the conversion price of 229 pence per Ordinary Share (with the Bonds being taken at their principal amount).

Copies of the Principal Trust Deed as modified (which contains the current text of the Conditions of the Bonds following the modifications effected by the seven supplemental trust deeds) are available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the undermentioned specified offices of the Paying Agents:

The Chase Manhattan Bank
Trinity Tower, 9 Thomas More Street, London E1 9YT

Banque Bruxelles Lambert S.A.
24 Avenue Marnix
B-1050 Brussels

Chase Manhattan Bank Luxembourg, S.A.
5 Rue Plaetis
L-2338 Luxembourg-Grund

The Chase Manhattan Bank
63 Rue du Rhône, CH-1204 Geneva

This notice has been issued in compliance with the terms of the Principal Trust Deed as modified and should not be taken as a recommendation to exercise the Original 1997 Redemption Option, the Additional 1997 Redemption Option or otherwise. Bondholders should take appropriate tax advice when considering whether or not to exercise the Original 1997 Redemption Option or the Additional 1997 Redemption Option. This notice has been issued by The Burton Group plc which is solely responsible for its contents.

4th August, 1997 The Burton Group plc

COMPANIES AND FINANCE

Nomura changes its strategy

New broom Ujiie carves out his scandal-free recovery plan

Mr Junichi Ujiie, president of Nomura Securities, leaned forward and asked earnestly in English: "Have I answered the question properly? Have I told you what you wanted to know?"

The inquiry might seem commonplace. But for a man in Mr Ujiie's position In a country famed for its use of convoluted euphemism, it is striking.

In recent weeks Mr Ujiie has lived a Japanese corporate nightmare. Since the spring a stream of revelations about Nomura's links with corporate racketeers has trickled ont. Last Wednesday the company, Japan's largest securities group, was banned from part of the domestic markets for several months.

Given this humiliation, many Japanese executives might prefer to avoid interrogation: the leaders of Dai-Ichi Kangyo hank, which was also punished for a related scandal last week, have maintained a atony silence.

Bnt Mr Ujiie, 51, who was appointed to his position in April as a "scandal-free" candidate, is unusual in Japan's financial world. After completing an economics PhD in the US, he has spent most of his career there nr in Europe. The degree earned him the nickname "doc" among his Wall Street staff.

And as he pondered the future of the disgraced group in Nomura's Tokyo headquarters, he was eager to explain how the company plans to carve ont a new scandal-free strategy.

Junichi Ujiie: plans aggressive campaign to win back trust

His first prohlem, he acknowledged, will be winning hack the clients that have cut ties with Nomura because of the scandal. Some may oot return easily, and non-Japanese houses may win husiness as a result, he admits. But he plans an aggressive husiness campaign to win hack clients' trust.

"What we have got to do is go to customers and show them that we can offer a high quality service with good prices – if we can do that, they will return," he said. "Our real priority is to define our fighting arena. A company like Merrill Lynch might seem to cover a huge area, but if you look at them closely they are focused into clearly defined areas."

That does not mean, he said, that Nomura wants to copy Merrill Lynch. But during a 40-minute conversation he referred to the US investment bank four times. And Mr Ujiie is acutely aware of the challenge groups such as Merrill Lynch are posing to Nomura – not only overseas, but also in Japan, where the markets are now being opened up as a result of financial deregulation.

"We have been successful in some overseas operations, like securitisation or the distrihution of Japanese boods and equities. But our success has been in rather limited business areas," he added, then described a couple of global banking deals where Nomura recently lost out to US competitors.

To combat this, Mr Ujiie wants to pull the company's sprawling global operations into a more integrated whole, defined more around products rather than regions: a process which has already started in the yen bond business.

In Japan, he wants to focus on Nomura's strengths in brokerage, asset management and fixed income, and expand into new, related areas that will be liberalised as a result of deregulatioo, such as securitisation.

He has oot yet decided whether to take advantage of a planned change in the law that will allow compaoies such as Nomura to become holding companies.

But he does expect a small reduction in Nomura's Japanese staffing levels. And he also expects deregulatioo to change its traditiooal pay structure – albeit slowly. "In Wall Street you have a liquid job market and so you pay people accordingly. Japan is moving that way, but I think it will still move slower than people expect," he says.

But what ahout profits? For the first time, Mr Ujiie hedges. Analysts' forecasts that parent profits could be cut hy around a third in fiscal 1997 hy the scandal are reasonahle, he admits. But he stressed that the company could not make forecasts because market conditions are hard to predict.

He gave an apologetic smile. "I know f sound as if I haven't answered the question – but that is something I don't think I can give a precise answer to."

Gillian Tett

Spanish cable deal cleared

By Raymond Snoddy

The Spanish governmeot has approved the acquisition of 32.5 per cent of Spain's largest cahle operator, Cableuropa, hy a US investor group led by Callaghan Associates International nf Denver.

The decisioo means the US group, Spanish Telecommunications (SpainCom), is free to acquire equity interests io the snhsldiaries of Cahleuropa, and cootinue to invest in the developiog Spanish cahle market.

SpainCom is owned by affiliates of GE Capital Services and Bank of America. Callaghan Associates acts as manager of Cahleuropa.

Cableuropa is part of Cahle I Televisio de Cataluña, a consortium that has receotly won cahle telephony licences for three areas of the Spanish region.

Last week the Cahleuropa subsidiary Cádiz de Cahle y Television won the licenee for Cádiz.

Bank of East Asia posts strong advance

By Louise Lucas in Hong Kong

Bank of East Asia, Hong Kong's third-biggest listed bank, kicked off the sector's half-year reporting season with a 21.7 per ceot increase in net profits from HK$846.9m in the first six mooths of 1996 to HK$1.03bo (US$133m) this time.

The results were above expectatioos, prompting some upwards revision of full-year forecasts. Analysts expect further robust hank results, with HSBC Holdings and subsidiary Hang Seog Bank reporting today.

Bank of East Asia's profits were lifted by a 14.7 per ceot increase in net interest income to HK$1.6bo, largely due to a 33 per cent expansioo of its loan portfolio.

Reflecting efforts by the bank to diversify iocome sources, ooo-interest income rose 23.S per ceot, from HK$460.5m to HK$568.7m.

Bank of East Asia has further pledged to reduce its reliance on mortgage business and focus more on trade and consumer finance. This follows renewed pressure by the Hong Kong Monetary Authority, Hong Kong's quasi-central hank, to cut hack the property lending portion of banks' loan portfolios.

But Bank of East Asia pointed to a more telling pressure: as competitioo to leod has intensified, margins have fallen, making fee income busioess and trade financing more attractive.

ING Barings says Bank of East Asia has the highest exposure to property among its peers, at 48 per ceot of the total for resideotial mortgages, and 68 per ceot for geoeral property lending.

Mr David Li, chairman and chief executive, was upbeat on the second half. "The upswing in local ecooomic activities is likely to be sustained in the second half of 1997. Coosumer and investment spending is expected to expand further," he said.

Earnings per share at the halfway stage rose 20 per ceot 65 to HK$0.78. The interim divideod is to he lifted from an adjusted HK$0.213 a share last year to HK$0.255.

● Hopewell Holdings, the Hong Kong-listed infrastructure group emhroiled in a wrangle with the Thai government over its US$3.7bn rail and road system, has received a boost from Standard & Poor's. The credit rating ageocy bas lifted its outlook on the company from oegative to stable, a reflectioo of Hopewell's reduced horrowings following the sale of Consolidated Electric Power Asia (Cepa), its independent power producer.

The more upbeat outlook coincides with Hopewell's roadshow to raise US$600m through its Guangzhou-Sbenzhen superhighway subsidiary. The bonds are due to be priced today and have secured a BB foreign curreocy rating from Standard & Poor's.

US insurance consolidation quickens

By John Authers in New York

Consolidation in the US losurance industry quickened in the first half, with 104 deals valued at $16.5bn taking place, according to SNL Securities, a Virginia-based research firm. The full-year total is likely to far exceed last year's $21.8bn.

The US insurance sector has heeo suffering from excessive competition for some time. Several financial groups are buying small insurers, mainly in the life sector, and consolidating the back offices and administrative costs to gain from economies of scale.

Buyers include GE Capital, the financial services arm of General Electric, Conseco and Lincoln National of Indiana, and American General of Houston.

SNL's research shows that property and casualty insurers, until now slower to consolidate, are also beginning to command high valuations, as the largest general insurers look to refocus through strategic disposals.

Life and health insurers commaoded a higher price-earnings multiple, at a median of 15.3 for the first half compared with 14.3 in 1996. However, there was a sharp increase in the price huyers were prepared to pay for property and casualty insurers, with the multiple increasing from 10.3 last year to 14.8.

INTERNATIONAL NEWS DIGEST

SGL Carbon sees further growth

SGL Carbon, the world's largest producer of carbon and graphite products, said operating profits for the full year should grow hy at least 10 per cent after increasing at double this rate in the second quarter. Mr Robert Koehler, chairman of the German company, said: "Our order books support a positive outlook for the second half of the year."

First-half turnover rose 10 per cent to DM961m ($518m): excluding new acquisitions, the rise was 6 per cent. Operating profits were 10 per cent higher at DM177m. Pre-tax profits edged up only 2 per cent to DM159m, mainly because of lower income from non-consolidated subsidiaries and higher interest expenses for acquisitions. Net income was unchanged at DM97m because of a higher tax rate. In the second quarter, operating profits gained 20 per cent to DM97m and pre-tax income 13 per cent to DM88m.

Andrew Fisher, Frankfurt

■ HUNGARIAN FLOTATION

Successful debut for bus group

Shares of Hungarian bus manufacturer North American Bus Industries (NABI) gained 46 per cent to Ft4,800 oo their trading dehut on the Budapest Stock Exchange. Almost 2m shares were last month priced at Ft3,280 in an initial public offering to internatiooal and domestic investors, giving NABI a total market capitalisation of Ft21.5bn ($110m). NABI is still 56 per cent owned by First Hungary Fund, a closed-end fund registered in Jersey. The company builds bus shells in Hungary and exports them for completioo in its Alabama, US plant.

Kester Eddy, Budapest

■ TELSTRA SALE

Australia awards mandates

The Australian government has named the co-lead managers and co-managers for the partial flotation of Telstra, the state-owned telecommunications group. Merrill Lynch, County NatWest, BT Stockbroking, Prudential Bache and HSBC James Capel have been appointed to the Australian tranche of the deal. The US tranche will be handled by Salomon Brothers, Merrill Lynch, JP Morgan and Morgan Stanley, while the UK and European tranche will be handled by Paribas, Cazenove, NatWest Markets, WestLB and Istituto Mobiliare Italiano.

HSBC James Capel, Nikko and ING Barings have been appointed to the rest of the world tranche and RBC Dominion and CIBC Wood Gundy have also been appointed to sell in Canada as underwriters in the American tranche. The Telstra float, involving a one-third stake in the group, is scheduled for November year and will he the biggest ever in Australia, involving a capital-raising estimated at around A$10bn (US$7.4bn).

Bruce Jacques, Sydney

■ GERMAN BANK MERGERS

WestLB seeks European partner

Westdeutsche Landesbank Girozentrale, the large German bank, is seeking a European partner, Mr Friedel Neuber, chairman said at the weekend. He told the Der Spiegel magazine that the recent merger of Bayerische Vereinsbank and Hypobank had made it necessary for WestLB "to consider how we react". He said: "The newest merger is only the beginning – the concentration in the hanking industry will continue."

AP-DJ, Frankfurt

Internet shopping move by Telekom

By Louise Kehoe in San Francisco

Deutsche Telekom, the German telecoms giant, has agreed to use programs from Intershop Communications, a tiny Silicon Valley transplant from eastern Germany, to create a new generation of internet shopping sites, or cyberstores.

The contract is understood to be worth $25m over five years. It represents a breakthrough for Intershop, which provides software tools to huild cyberstores, and a signal of international expansion in internet shopping.

Intershop's software provides "pre-fabricated" online stores that can be tailored to the requirements of individual merchants.

Internet shopping is growing rapidly, with companies such as Dell Computer recording sales on the world wide weh of more than $2m a day. To date, however, most internet sales have been coocentrated in a few product categories, such as personal computers, books and music CDs. Moreover, the majority of consumer sales made via the internet have been to US huyers.

One of the harriers to more widespread internet shopping has been the complexity and high costs of huilding cyher stores that incorporate managemeot systems equivalent to those of the real world.

Intershop software goes beyond the design of electronic shop windows to enable husinesses to manage inventory, keep track of customers, and automatically send invoices via email, said Mr Chris Stevens, electronic commerce analyst at the Aberdeen Group, a US market research group.

With the Deutsche Telekom contract, Intershop has leap-frogged rival specialist software groups. However, the company faces formidahle challenges as computer industry superpowers such as Microsoft, International Business Machines and Hewlett-Packard hone in on the emerging electrooic commerce software market.

Metro calls meeting to approve funding

By Andrew Fisher in Frankfurt

Metro, the German retail group, will next month ask shareholders for authnrisation to raise new capital to help finance acquisitions.

Metro, which is negotiating the purchase of Dutch-owned cash-and-carry group Makro in a deal valued at DM4bn ($2.15bn), wants to buy other companies in Germany and abroad.

The retailer has called an extraordinary general meeting for Septemher 11 to obtain approval for a rise in its capital-raising limit hy a nominal DM350m (70m shares), to last until 2002.

The extra capital will not carry pre-emptive rights for existing shareholders, enahling the shares to he used to pay for acquisitions.

Based on Friday's closing share price of DM97.80, the extra 70m shares would enable Metro to raise nearly DM7bn.

It already has existing authorised capital of DM250m, giving it scope to issue shares worth almost DM5bn. Union Bank of Switzerland said the new capital could be used to finance another German acquisition, possibly in food retailing.

Metro said the purchase of Makro, in which it already has a hig stake, from Steenkolen Handelsvereeniging had still to be completed.

Makro has extensive operations in eastern and western Europe and overseas.

Mr Klaus Wiegandt, chairman, said recently Metro was keen to expand outside western Europe – where consumer demand is generally stagnant – to Poland, Turkey and China.

It has signed a joint venture with Bank Handlowy in Warsaw, which is taking a 25 per cent stake in Metro's local subsidiaries before bringing them to the Polish stock market in a few years.

English Translation of German Version of Exchange Invitation published on 2 August 1997

Invitation to the Shareholders of Bayerische Hypotheken- und Wechsel-Bank AG, Munich, to Submit an Offer for an Exchange of their Shares for Shares of Allianz AG, Berlin and Munich, and Statement of Bayerische Hypotheken- und Wechsel-Bank AG

Security Idenófication Numbers:
- Bayerische Hypotheken- und Wechsel-Bank AG: 802 000
- Allianz AG: 840 400

Exchange Invitatinn

Vereins- und Westbank AG, Hamburg, hereby invites the shareholders of Bayerische Hypotheken- und Wechsel-Bank AG, Munich (hereinafter shortly referred to as "HYPO-Bank") to submit a binding offer pursuant to which bearer shares in the common stock of HYPO-Bank having a par value of DM 5.00 with coupons Nos. 08 through 20 and renewal coupon (Security Identification No. 802 000) are exchanged for registered shares ("vinkulierte Namensaktieo") in the common stock of Allianz AG, Berlin and Munich, having a par value of DM 5.00, with coupons Nos. 02 through 20 aod renewal coupon (Security Identification No. 840 400) at an exchange ratio of 6:1 (6 shares in HYPO-Bank for 1 share in Allianz AG). The period for submission of such offers runs from August 4, 1997 through to September 10, 1997 (closing hour of the depositary institutions, but no later than 07.00 p.m. CEST).

The holders of shares in HYPO-Bank desiring to submit such an exchange offer are asked to notify and deliver their shares including coupons Nos. 08 through 20 and reoewal coupon, not later than September 10, 1997 (closing hour of the depositary insdtutions, but oo later than 07.00 p.m. CEST) to their depositary bank or to the bank designated below or, to one of its branch offices:

Vereins-und Westbaok AG
986/BKB 33
D-20454 Hamburg, Germany
Fax: 00-49-40-3692-1994

Shareholders of HYPO-Bank offering a number of shares which is not divisible by 6 will, in settlemeot of aoy fractions, receive a cash adjustment based on the exchange radio. It will be determined by reference to the official market price (Kassakurs) for Allianz AG shares at the Frankfurt/Main Stock Exchange on the last day of the offering period. The exchange of shares under this invitation is free of cost or commissioo to the shareholders of HYPO-Bank. The settlemeot and completion of the exchange and, where appropriate, the payment of a cash adjustment will be made promptly after acceptance of the exchange offer by Vereins- und Westbank AG.

Purpose of the Invitation

Vereins- und Westbank AG will exchange the aggregate of the shares which are offered by the shareholders of HYPO-Bank and which will be acquired by acceptance of such offers with Bayerische Vereinsbank AG, Munich (hereinafter shortly referred to as "Vereinsbank") against shares in the stock of Allianz AG, Berlin and Munich. Vereinsbank inteods to acquire up to 45% of the capital stock (Grundkapital) of HYPO-Bank by exchanging shares it holds in Allianz AG against shares of HYPO-Bank. It has been agreed between HYPO-Bank and Vereinsbank that the two institutions will be merged in a later step. The merger requires the approval of a general shareholders' meeting of both institutions.

Vereinsbank, having total assets of DM 404.3 billion and equity capital of DM 10.4 billion, and HYPO-Bank, having total assets of DM 339.4 billion and equity capital of DM 8.6 billion (figures as of December 31, 1996), number amoog Germany's leading regional banks. The proposed merger will result in a bank with an estimated balance sheet total of more than DM 750 billioo and with a clear focus on the core businesses: mortgage and real estate lending, asset management and retail banking and a strong position in selected treasury activities.

Following a successful completion of the proposed exchange, Vereinsbank will increase its capital by a nominal amount in the order of DM 150 million.

Statement by the Board of HYPO-Bank

The board of management of HYPO-Bank recommends to the shareholders of HYPO-Bank to submit exchange offers to Vereins- und Westbank AG and supports the proposed merger of HYPO-Bank and Vereinsbank. The exchange offer is attractive to HYPO-Bank shareholders in two ways: A premium of approximately 28% compared to the price for HYPO-Bank shares on July 18, 1997 represents a substantial mark-up. In addition, the shares of Allianz AG, one of the very large insurance groups world-wide, offer perspectives and potential.

"The merged institution with an estimated balance sheet total of more than DM 750 billion will improve its position in an increasingly competitive market and will gain international competence. The merger will bring clear benefits equally to shareholders, clieots and employees. The new bank will hold a stroog compedóve positioo not only in Germany but also on the European market."

Terms of Acceptance

If, on the basis of this invitation, Vereins- und Westbank AG has not by the end of the offering period been offered by shareholders of HYPO-Bank shares in a nominal amount equal to at least 40% of the then curreot capital stock (Grundkapital) of HYPO-Bank, Vereins- und Westbank AG will not accept the offered shares. If shares offered to Vereins- und Westbank AG exceed 45% of the capital stock of HYPO-Bank, a pro-rated scaling down to 45% may occur. In case of acceptance of this offer by Vereins- und Westbank AG the shareholders of HYPO-Bank will receive a full allocatioo for the first 120 HYPO-Bank shares offered.

Other than that, the acceptance of the offers by Vereins- und Westbank AG and the exchange of the shares between Vereins- und Westbank AG and Vereinsbank are dependent on the approval of the Federal Cartel Office (FCO) in Berlin. Vereinsbank has made a pre-merger ootification to the FCO. Preliminary discussions with the FCO indicate that on approval of the proposed merger can be expected.

Right of Withdrawal

If, prior to acceptance of their exchange offers, a more advantageous public offer is made to the holders of HYPO-Bank shares or a public invitatioo is made to submit a more advantageous offer, HYPO-Bank shareholders shall bo free to withdraw from the offer submitted by them to Vereins- und Westbank AG.

Acceptance of Exchange Offers

Vereins- und Westbank AG will announce on September 16, 1997 by way of publication in the Federal Gazette and the "Börsen-Zeitung" whether it will acquire the HYPO-Bank shares offered by way of an exchange for shares in Allianz AG. Such announcemeot shall constitute an acceptance or, as the case may he, a rejection of the exchange offers submitted to Vereins- und Westbank AG by the shareholders of HYPO-Bank. In case of acceptance the oumber of acquired shares will be announced at the same time.

Advisory Bank

Morgan Guaranty Trust Company of New York, London Office, acted as advisor in the preparation of the exchange offer.

Non-German shareholders of HYPO-Bank may also address inquiries related to the submittal of exchange offers to:
Morgan Guaranty Trust Company of New York,
London Office
Global Trust and Agency Services
60 Victoria Embankment
London EC4Y 0JP, United Kingdom
Telephone: 0044-171-325 5233
Fax: 0044-171-325 9299

Compliance with Takeover Code

Vereins- und Westbank AG agrees to comply with respect to this voluntary exchange offer with the Takeover Code established by the Stock Exchange Expert Commission at the Federal Ministry of Finance as published on July 14, 1995.

Additinnal note to non-German hnlders of HYPO-Bank shares

United States

This invitadoo is oot directed to shareholders of HYPO-Bank and holders of HYPO-Bank shares evidenced by ADRs (American Depositary Receipts) in the United States of America. The Allianz AG shares (the "Shares") have not been and, in coojunction with this exchange offer, will not be registered under the U.S. Securides Act of 1933. The Shares may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons.

United Kingdom

The Shares are not being offered or sold and, prior to the expiry of six months after the date of expiry of the exchange offer, will not be offered or sold to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holdiog, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will oot result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securides Regulations 1995. For the purposes of section 57 of the Financial Services Act, 1986, Morgan Guaranty Trust Company of New York, Loodoo Office, acting as advisory bank, has reviewed and approved this exchange offer document.

Other Jurisdictions

No action has been or will be taken in any jurisdictioo other than Germany that would permit a public offering of the Shares, or possessioo or distribudon of any offering document or any amendment or supplement thereto, or of any other document or publicity material in any country or jurisdiction where action for that purpose is required.

Vereins- und Westbank Aktiengesellschaft
Hamburg, 2 August 1997
The Board of Management

Vereinsbank
VEREINS- UND WESTBANK AG

Seu Parceiro em Mercados Emergentes e de Capitais
ING BARINGS

FINANCIAL TIMES
MARKETS
THIS WEEK

At Home in Emerging and Capital Markets
ING BARINGS

Global Investor / Philip Coggan

Dollar ready to shift up a gear

The history of floating exchange rates since the early 1970s has been, with one significant exception, a story of a declining dollar.

The graph shows the dollar's steady fall against the D-Mark, interrupted only by the sudden period of strength in the early 1980s. The picture looks clearer from the point of view of the late 1990s than it did a dozen years ago.

Back then, foreign exchange markets appeared to be more cyclical. Analysts used to talk about the "Carter dollar" and the "Reagan dollar", citing the US currency's precipitate fall under the rule of the peanut farmer and rebound in the first term of the B-movie actor. However, there were really two Reagan dollars; the US currency (rather like Ronnie's reputation) peaked at the start of his second term, only to resume its long-term decline.

But there is growing talk that the trend might at last be over. It is worth recalling what started it off. The Bretton Woods system essentially set in stone an economic system (and foreign exchange rates) in which the US, after the ravages of the second world war, was the dominant economic power.

Eventually, the defeated powers of Germany and Japan rebuilt themselves. And the US, thanks to Lyndon Johnson's efforts to create the "great society" and to win the Vietnam war, ran up persistant budget and trade deficits. The breakdown of the Bretton Woods system under President Nixon then allowed foreign exchange markets gradually to reflect the change in economic fortunes between the big three.

By the late 1980s, US industry was also going through a crisis of confidence relative to the rest of the world, with businessmen looking to Tokyo for a model after the Japanese had bulldozed their way into automobile and electronics markets. Reagan's splurge on defence spending in the last years of the Cold War exacerbated the twin deficit difficulties.

For the past few years, the building blocks for a change in trend have come in place. The collapse of the Japanese "bubble economy", left the Tokyo government desperately dreaming up reflationary packages, with an eventual horrendous impact on the budget deficit. And it has become clear that Japanese industry is not the paragon of 1980s cliché, and has areas crying out for reform.

In Europe, the cost of German reunification followed by the stumbling progress towards economic and monetary union has caused a change in sentiment. The D-Mark is going to be replaced and is unlikely to be as attractiva in the diluted form of the Euro, especially if, as expected, Emu is widely based. European economies now appear sluggish and uncompetitive compared with the US, with the continent's industries perceived to be in dire need of the restructuring tbat America has undergone.

At the same time, the US appears to have been tackling some of its problems. Whatever one thinks of last week's deal on the balanced budget, US government finances look a lot more healthy than those in many European countries. US industry has revived itself and has many of the leading players in industries such as software and media.

The dollar remains the currency of choice for many citizens in less developed countries, and US Treasury bonds seem to be replacing gold as the core component of central bank reserves round the globe.

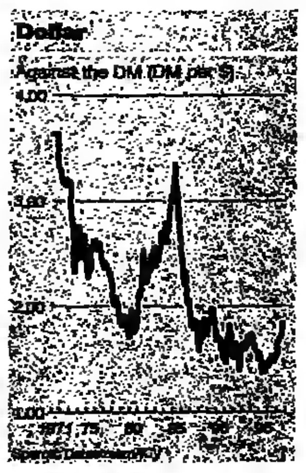
Under Mr Alan Greenspan, the Federal Reserve has built a reputation for successfully fighting inflation and, according to Mr Neil Mackinnon, chief economist at Citibank in London, "the Fed is talked about in the sama reverential terms as the Bundesbank".

Shorter term, US interest rates are still considerably higher than those in Japan and Germany, giving the currency appeal for "hot money" flows.

Admittedly, the trade deficit remains a lingering sore, but that is largely a problem confined to two countries, Japan and China. The US remains the largest debtor in the world and with its savings rate too low, the country is worryingly dependent on the willingness of the Japanese to buy Treasury bonds.

However, belief that the trend is shifting is not the same as arguing that the last 26 years of decline will be fully reversed. Set against the early 1980s rally, the recent climb in the dollar barely merits a blip on the long term chart.

If a change in sentiment has occurred, the dollar's strength, particularly against the European currencies, has therefore a lot further to go. The history of the foreign exchange markets is that perceptions about a currency, once fully developed, are hard to shift.



Total return in local currency to 31/07/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.06	0.06	0.18	0.13
Month	0.47	0.05	0.26	0.28	0.57	0.56
Year	5.24	1.09	3.52	4.13	8.49	6.08
Bonds 3-5 year						
Week	0.62	0.36	0.09	0.06	−0.48	0.23
Month	1.96	0.97	−0.10	0.05	0.96	0.52
Year	9.00	6.03	7.97	8.53	17.16	7.61
Bonds 7-10 year						
Week	0.92	0.86	−0.02	−0.81	−0.31	0.28
Month	3.06	1.77	1.20	1.27	2.81	0.62
Year	11.26	11.19	12.97	13.42	28.33	12.48
Equities						
Week	1.6	0.5	2.5	3.2	−2.5	0.9
Month	8.2	−0.1	16.3	7.4	11.4	5.2
Year	51.6	1.0	75.6	55.9	60.0	32.1

Source: Cash & Bonds - Lehman Brothers. Equities - FT/S&P Actuaries World Index. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

UBS leads advance at Swiss banks

The leading Swiss banks are expected to report a sharp improvement in first-half net profits this week as worldwide equity gains prompt jumps in trading and commission income, analysts said. Union Bank of Switzerland releases its first-balf results tomorrow, followed by Swiss Bank Corp on August 13 and Credit Suisse Group on August 27.

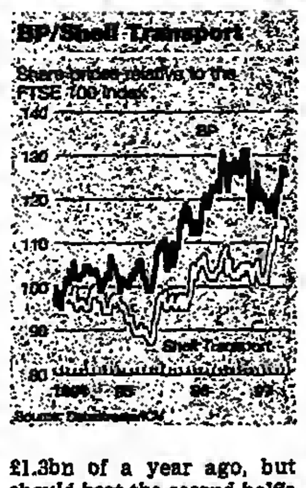
Net profit of SFr1.62bn-SFr1.67bn ($1.07bn-$1.1bn) is expected at UBS, compared with SFr1.109bn last time, on trading income of SFr1.5bn-SFr1.62bn against SFr1.299bn.

■ Despite the adverse effects of the strong pound, healthy lending volumes in Hong Kong are expected to have helped **HSBC Holdings** to increase first-half profits by more than 10 per cent before tax and exceptionals. Most forecasts come in between £2.35bn ($3.83bn) and £2.45bn. In the UK, Midland bas increased its lending more than most competitors, and its results today will not be affected hy sterling translation problems. HSBC's $2bn (£1.2bn) spending spree in Latin America will have little impact on first-half earnings, but the group aims to cover financing costs in year one and reap a 15-20 per cent return on investment within three to five years.

■ After warning that first-half profits would not exceed £770m, National Westminster Bank is likely to be punished by the market if the results tomorrow come in more than a hair's breadth below this target. Attention is focused on NatWest Markets, the investment banking arm, whose profits are expected to have dipped even before a £77m charge for the interest rate option mispricing uncovered just after the 1996 full-year results were announced.

■ Standard Chartered's earnings growth is likely to have been limited to about 3 per cent in the first half. Lower disposal gains, a sluggish Singapore economy and a 5 per cent negative impact from the strength of sterling are expected to have kept pre-tax profits to £430m-£445m. The strong pound will have limited the rise in sterling expenses as the bank starts to invest again after four years of flat costs.

■ Barclays' pre-tax profits on Thursday are expected to come in lower than the £1.3bn of a year ago, but should beat the second half's depressing £1.1bn. Most forecasts are in the £1.21bn-£1.27bn range.



■ Scanla, the Swedish heavy truck maker, is expected to report today that first-half profit after financial items fell to between SKr1.19bn ($150m) and SKr1.58bn from SKr2.1bn a year earlier, according to a survey of analysts. The average forecast is for a profit after financials of SKr1.41bn, down 33 per cent.

Analysts said the expected fall in profits is a result of lower demand in Europe and increased price competition.

■ British Petrolenm reports second-quarter results on Tuesday. Analysts expect net profits of £580m-£690m. The company is expected to benefit from improved refining margins in the downstream sector as well from some volume growth in the upstream.

■ On Thursday Shell Transport and Trading, the UK arm of the Royal Dutch/Shell group, publishes its second-quarter results. Like BP, it is expected to benefit from a better downstream performance. Lower costs are also expected to be evident. The geographic dispersion of mnch of its chemical business means it is unlikely to be hit by the strength of sterling. Natwest Markets estimates net profits of about £1.26bn against £1.18bn last time.

■ Investors will be anxious to hear if there is any settlement of the long-running issua of orphan assets when Prudential reports interim results on Wednesday. There may also be comments on talks with other financial institntions on possible mergers.

■ The strength of sterling is expected to have cost Cadbury Schweppes about £16m in the first half. The confectionery and soft drinks group will report flat interim profits of about £230m on Wednesday, with earnings slightly down in spite of underlying growth of 8-9 per cent.

■ Commercial Union's interim results on Wednesday are expected to show robust operating profits though there may be disappointment at the UK non-life result and net asset value. Analysts expect operating profits to rise by 2 per cent to £220m, since a lower underwriting loss and slightly improved life profits should more than offset a rednction in investment income.

■ On Thursday Royal & Sun Alliance is expected to produce interim operating profits slightly down on last time. Analysts expect a fall from £450m to £447m, due to flat underwriting results, higher life profits and lower investment incoma thanks to adverse currency movements. Profits from the international side are being depressed by start-up costs of Direct businesses on the European continent. Forecasts are for a 10 per cent rise in the dividend to 7.15p.

■ While forecaats for Pearson's interim pre-tax profit figures have fallen into a wide range since the Harpar Collins acquisition and Channel 5 launch, the median seems to be about £55m from last year's £80.2m. Mrs Marjorie Scardino, who joined as chief executive at the start of the year, is expected to be questioned today on future strategy.

■ At first sight results from Zeneca, the UK's third largest drugs company, are unlikely to provide many surprises on Thursday. It is only two months since the last trading statement, so it is surprising that pharmaceuticals sector analysts should be so divided over what to expect. Pre-tax profits could be anywhare between £623m and £680m (£610m last year), with earnings per share coming in between 43.8p and 47p (42.9p, last time).

ABN AMRO
Interest Growth Fund
Société d'Investissement à Capital Variable
Registered office: 4, rue Jean Monnet
L-2180 Luxembourg-Kirchberg
R.C. Luxembourg B 39529

The Annual General Meeting of Shareholders of ABN AMRO Interest Growth Fund (SICAV) will be held on Thursday, August 21, 1997 at 14.00 hours at the office of the SICAV, 4, rue Jean Monnet, Luxembourg-Kirchberg for the purpose of considering and voting upon the following agenda :

1. Opening
2. Report of the Board of Directors on the financial year 1996/97
3. Adoption of the Financial Statements and profit appropriation
4. Discharge of the Board of Directors and the Manager of the SICAV for the financial year 1996/97
5. Appointment of Ernst & Young S.A. as Auditor of the SICAV for a period of one year
6. Other business
7. Closing.

The Annual Report is available at the offices of the SICAV and its representatives.

The shareholders are advised that no quorum for the Annual General Meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

In order to take part at the meeting of August 21, 1997 the owners of bearer shares will have to deposit their shares before August 18, 1997 with the following bank :

ABN AMRO Bank (Luxembourg) S.A.
4, rue Jean Monnet
L-2180 Luxembourg-Kirchberg

The Board of Directors

Your Key Investment Bankers.
SBC Warburg
A Division of Swiss Bank Corporation

SBC Warburg launches new covered warrants

SBC Warburg has issued covered warrants on the following US companies:

Barrick Gold Corporation
Amgen Inc.
Boeing Company
Cisco Systems Inc.
The Walt Disney Company
General Electric Company
Hewlett-Packard Company
International Business Machines Corporation
McDonalds Corporation
Philip Morris Companies Inc.
Motorola Inc.
Merck & Co. Inc.
Texaco Inc.

For more details contact Michael Jeclous or Danny Maylin on +44 171 568 4900

Issued by Swiss Bank Corporation, acting through its division SBC Warburg, regulated in the UK by the SFA.

NOTICE TO THE HOLDERS OF
KOKUNE CORPORATION
JPY5,000,000,000
1/4 PER CENT RESETTABLE CONVERTIBLE BONDS 2004

Notice is hereby given that on July 18 1997, the average of the closing prices per share of common stock of the Company, for ten consecutiva trading days up to and including that date, rounded upward to the nearest one Yen, was less then the conversion price in effect on such day by not less than one Yen, and that therefore, in accordence with the section 5.2 of the Terms and Conditions of the Bonds, the conversion price of the captioned Bonds is to be refixed as follows:

1. Conversion price before refixing: Yen 398
2. Conversion price after refixing: Yen 279
3. Effective date of refixing: August 4, 1997 (Japan Time)

KOKUNE CORPORATION
By: The Sumitomo Bank Limited
London Branch
4th August 1997 as Paying and Conversion Agent

ABN AMRO Funds
Société d'Investissement à Capital Variable
Registered office: 4, rue Jean Monnet
L-2180 Luxembourg-Kirchberg
R.C. Luxembourg B 47072

The Annual General Meeting of Shareholders of ABN AMRO Funds (SICAV) will be held on Thursday, August 21, 1997 at 10.00 hours at the office of the SICAV, 4, rue Jean Monnet, Luxembourg-Kirchberg for the purpose of considering and voting upon the following agenda :

1. Opening
2. Report of the Board of Directors on the financial year 1996/97
3. Adoption of the Financial Statements and profit appropriation
4. Discharge of the Board of Directors and the Manager of the SICAV for the financial year 1996/97
5. Appointment of Ernst & Young S.A. as Auditor of the SICAV for a period of one year
6. Other business
7. Closing.

The Annual Report is available at the offices of the SICAV and its representatives.

The shareholders are advised that no quorum for the Annual General Meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

In order to take part at the meeting of August 21, 1997 the owners of bearer shares will have to deposit their shares before August 18, 1997 with the following bank :

ABN AMRO Bank (Luxembourg) S.A.
4, rue Jean Monnet
L-2180 Luxembourg-Kirchberg

The Board of Directors

Sun Hung Kai Properties Finance International Limited
H.K. $650,000,000
Guaranteed Floating Rate Notes due 2001
unconditionally and irrevocably guaranteed by
Sun Hung Kai Properties Limited

In accordance with the terms and conditions of the Notes, the rate of interest applicable for the interest period 31st July, 1997 to 27th January, 1998 is 7.755 per cent. per annum.
Interest payable on 27th January, 1998 per Note of H.K. $50,000 will be H.K. $1,912.19.

Bankers Trust Company, Hong Kong — Agent Bank

CITICORP
U.S. $250,000,000 Floating Rate Notes
Due November 1999
(the "Notes")
Notice is hereby given that the Rate of Interest for the Interest Period August 4, 1997 to November 3, 1997 has been fixed at 5.90703% and that the interest payable on the relevant Interest Payment Date November 3, 1997, against Coupon No. 12 will be US$74.66 in respect of US$5,000 nominal of the Notes.
August 4 1997, London
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANK

INTERNATIONAL EQUITIES By Vincent Boland

In search of the right connection

Between now and the year end, if everything goes to plan, investors will be asked to buy shares in no fewer than five international telecommunications operators.

Telstra of Australia, Telecom Italia, and – probably – France Telecom will be floated through initial public offerings. Bankers pnt the combined value of the stakes that may be sold at about $15bn. There should also be a third tranche of Portugal Telecom and a staka in Hungary's Matav.

They come after a flood of telecoms issues in the past year, including Deutsche Telekom and Spain's Telefónica. Despite that, there is little sign investors are getting bored. They are, however, getting more discriminating, says Mr Michael Armitage, telecoms analyst at Morgan Stanley.

He sees a "paradigm shift" away from funds buying every telecoms offering to looking only at the best. "Investors are no longer necessarily going to look at every telecoms privatisation. Offerings are less attractive than they might have been historically."

This autumn's three prospective IPOs will require a lot of new demand for telecoms shares. Bankers say, though, that all five offerings have distinguishing characteristics that make them attractive separately, not least that they are from five different countries.

Parallels with the sale of Deutsche Telekom last year are instructive. "The people wbo bought it were not telecoms-specific but country-spacific," one investment banker says. "The question to ask is whether [the new issues] can be sold as Deutsche Telekom stories. If you can do that you don't have mucb of a capacity problem."

France Telecom and Telecom Italia arguably fit into that category, which has up to now been "a very good geared way of investing in a market," another banker says.

Telstra, where the Australian government is likely to sell a one-third stake that could raise up to A$8bn ($6bn), should also benefit from its regional status. Far eastern fund managers are less inclined to invest in European privatisations, but they should also be drawn to the company, bankers believe.

The third tranche of Portugal Telecom, which follows two successful issues so far, is aleo being closely watched. One factor in favour of its successful sale is the removal of the overhang of shares from the market, but it is expected to be more fully valued than the earlier offerings.

"One would expect a company whicb is better followed to be more fully valued at this stage of its privatisation," one banker believes.

Mr Armitage says the "southern comfort factor" has helped telecoms issues from sonthern Europe up to now, because they have good growtb prospacts, are restructuring plays, and there is "a sense of immunity from competition".

But, against that, bankers say that the more choice there is for telecoms investors, the more those investors are likely to have a say – indirect bnt crucial – in determining the issue price. They can, and do, let issuing banks know their views on whether an issue is overpriced, and those views carry weight, according to some investment bankers.

"This is the reality of the marketplace. Investors feel they want more power at the book-building stage, and their views on price influence the level of demand," one banker says. This will be a key issue in the forthcoming telecoms offerings.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY AUGUST 1 1997 — US Dollar Index	% chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY JULY 31 1997 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 52 week High	52 week Low	Year ago (approx)
Australia (76)	237.99	7.2	215.55	177.60	229.72	213.80	15.1	3.56	240.60	217.94	180.07	229.76	214.79	243.87	194.35	194.35
Austria (25)	203.56	7.2	184.37	151.91	196.49	196.38	29.2	1.67	206.00	186.52	154.16	196.72	196.60	206.00	174.70	180.83
Belgium (29)	249.30	6.5	225.79	186.03	240.64	235.73	32.2	2.80	254.80	230.78	190.77	243.41	238.31	261.11	218.82	215.08
Brazil (30)	293.16	54.8	265.53	218.78	282.99	584.49	81.1	1.26	306.33	277.36	229.28	292.52	610.66	322.44	172.54	178.19
Canada (127)	221.75	18.8	200.84	165.48	214.05	221.73	17.7	1.65	222.54	201.49	166.58	212.51	222.74	222.64	156.76	156.76
Denmark (32)	394.28	12.0	357.11	294.23	380.59	379.44	34.4	1.35	399.16	361.40	298.74	381.17	379.94	421.25	310.23	310.23
Finland (26)	308.22	25.5	279.15	230.01	297.52	357.91	60.6	1.54	312.16	282.66	233.66	298.12	358.74	314.06	194.98	194.98
France (83)	230.53	7.7	208.88	172.10	222.62	226.45	29.7	2.33	235.09	212.86	175.95	224.49	228.36	237.57	187.30	198.23
Germany (58)	234.42	23.4	212.31	174.93	226.28	226.28	48.6	1.26	238.42	215.87	178.44	227.67	227.67	238.42	172.93	173.16
Hong Kong, China (66)	563.79	11.2	510.63	420.72	544.21	560.45	11.3	2.72	561.44	508.34	420.16	536.14	558.09	563.78	415.66	415.66
Indonesia (27)	227.84	−0.1	206.36	170.02	219.99	365.64	10.6	1.78	226.27	204.87	169.35	216.07	362.99	254.90	183.62	190.71
Ireland (17)	371.10	12.8	336.11	276.93	358.21	360.49	31.7	2.71	373.00	337.72	279.16	356.19	360.97	374.84	278.74	278.74
Italy (53)	99.73	18.5	90.33	74.43	96.27	135.04	42.4	1.76	100.99	91.44	75.58	96.44	135.14	105.79	73.26	77.27
Japan (485)	132.41	2.6	119.92	98.81	127.81	98.81	4.3	0.80	134.76	122.01	100.86	128.69	100.86	150.97	107.57	150.56
Malaysia (107)	464.49	−23.0	420.70	346.62	448.36	471.83	−19.8	1.46	469.49	425.08	351.38	448.33	476.73	660.85	460.21	591.18
Mexico (27)	1812.28	48.6	1641.40	1352.39	1749.34	15496.95	47.6	1.45	1808.88	1637.76	1353.80	1727.35	15482.70	1812.28	1136.59	1176.44
Netherlands (19)	420.45	25.1	380.61	313.76	405.65	401.38	51.2	1.94	427.86	387.38	320.21	408.56	403.73	428.86	293.35	293.35
New Zealand (14)	92.61	0.6	83.87	69.11	89.39	76.41	10.8	3.80	93.02	84.22	69.61	88.82	76.15	96.47	80.77	83.66
Norway (41)	318.47	7.8	288.44	237.66	307.41	332.09	29.6	1.65	322.44	291.94	241.32	307.80	333.53	326.60	246.29	247.87
Philippines (22)	144.45	−29.1	130.83	107.79	139.43	210.38	−21.2	0.97	145.53	131.77	108.92	138.97	210.33	214.07	138.54	200.96
Singapore (42)	373.68	−11.0	338.44	278.85	360.70	253.76	−8.2	1.20	377.03	341.57	282.16	360.04	255.58	448.01	360.06	386.34
South Africa (44)	354.04	11.2	320.66	264.20	341.75	358.56	10.1	2.43	357.47	323.65	267.54	341.35	360.23	370.12	301.49	329.72
Spain (33)	242.72	10.4	219.83	181.12	234.29	288.13	33.0	2.31	247.27	223.88	185.06	236.12	290.49	276.05	173.01	176.95
Sweden (49)	495.09	17.4	448.41	369.45	477.89	587.39	37.7	1.76	498.29	451.16	372.93	475.83	587.40	511.95	346.39	346.39
Switzerland (33)	313.20	31.3	283.67	233.72	302.32	295.24	46.7	1.14	314.94	285.15	235.71	300.74	295.24	329.59	231.69	238.07
Thailand (42)	59.75	−37.6	54.12	44.59	57.68	74.13	−22.2	4.15	61.16	55.39	45.79	58.42	75.89	151.74	47.55	146.00
United Kingdom (214)	314.06	10.9	284.45	234.38	303.15	284.45	15.9	3.51	314.66	284.90	235.50	300.48	284.90	325.28	235.41	235.56
USA (641)	384.46	27.4	348.21	286.90	371.11	384.46	27.4	1.61	387.12	350.51	289.73	369.67	387.12	387.12	264.67	264.67
Americas (825)	351.57	27.3	318.42	262.36	339.36	298.07	27.4	1.60	354.10	320.60	265.01	338.14	298.22	354.10	241.86	241.86
Europe (715)	277.98	16.0	251.77	207.44	268.33	269.34	31.7	2.38	280.74	254.16	210.11	268.09	270.30	284.44	209.90	209.90
Nordic (150)	423.11	18.6	383.21	315.74	408.42	440.37	38.1	1.57	426.86	386.50	319.48	407.64	440.80	437.98	300.57	300.57
Pacific Basin (881)	151.56	1.9	137.27	113.10	146.30	113.99	4.1	1.26	153.72	139.18	115.04	146.79	116.80	169.65	127.16	162.88
Euro-Pacific (1596)	204.33	9.6	185.07	152.48	197.24	172.36	18.6	1.90	206.74	187.19	154.73	197.42	173.89	209.12	173.55	182.06
North America (768)	374.36	26.9	339.06	279.36	361.36	373.60	26.9	1.61	376.90	341.25	282.06	359.91	376.14	376.90	258.03	258.03
Europe Ex. UK (501)	251.90	18.0	228.15	187.98	243.15	253.82	41.8	1.75	255.54	231.37	181.25	244.02	255.00	256.73	190.98	190.98
Pacific Ex. Japan (396)	315.46	0.1	285.71	235.41	304.50	283.05	4.0	2.65	316.59	286.64	236.94	302.32	283.39	320.85	275.02	275.02
World Ex. US (1824)	208.62	10.8	188.95	155.68	201.37	179.41	18.0	1.88	211.05	161.09	157.96	201.54	181.02	212.89	178.94	183.07
World Ex. UK (2251)	260.03	18.9	235.52	194.05	251.00	233.44	23.5	1.56	262.69	237.84	196.60	250.85	235.47	262.69	204.12	205.56
World Ex. Japan (1980)	332.21	21.4	300.89	247.91	320.67	326.46	26.6	1.92	334.83	303.15	250.59	319.73	328.80	334.83	240.08	240.08
The World Index (2465)	264.72	18.1	239.79	197.54	255.53	238.33	22.8	1.75	267.21	241.94	199.99	255.17	240.23	267.21	207.64	208.22

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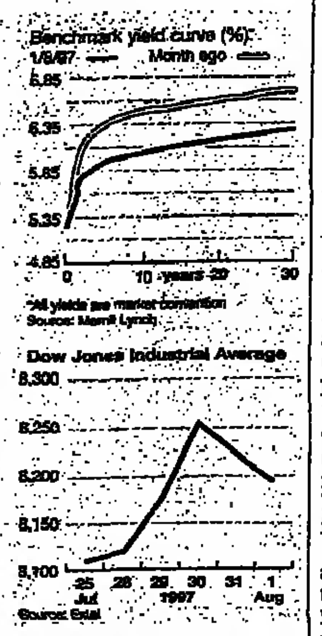
MARKETS: This Week

NEW YORK By John Authers



US bond markets should have an opportunity to quieten and take stock this week, after heavy trading driven by a welter of statistics in the past two weeks. Last week saw further strong rallies in both equities and stocks, until data at the end of the week led to renewed fears that economic growth was moving too fast, potentially bringing inflation and higher interest rates in its wake.

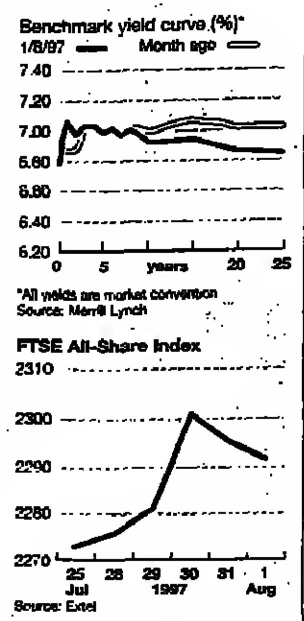
This caused a sharp reversal in the bond market. Yields had continued to fall, with the benchmark 30-year Treasury bond hitting a yield of only 6.29 per cent by Thursday, but bond prices fell heavily on Friday, chiefly in reaction to the National Association of Purchasing Managers' index, which suggested increasing cost inflation. Yields bounced back to 6.44 per cent, although this is still far below the 7 per cent figure on which they were trading as recently as late May.

Stocks continued their rally, with the Dow Jones Industrial Average hitting 8,254.89 on Wednesday, a gain of 28 per cent for the year, before minor falls over the rest of the week.

No new information this week is likely to have a significant impact, although construction and consumer credit figures for June, due tomorrow and on Thursday, may be of some interest.

Publication of the Federal Reserve's "Beige Book", collation of regional economic forecasts is due on Wednesday. It often creates a stir but this time it will fall within two weeks of the Humphrey-Hawkins testimony given to Congress by Mr Alan Greenspan, the chairman of the Federal Reserve, and is unlikely to provide fresh insights into the Fed's thinking.

LONDON By Peter John



Technical, monetary and corporate considerations will dominate the UK equity market this week.

Technical moves come into play today as the chancellor of the exchequer's decision in the Budget to abolish dividend tax credits for gross funds is factored into calculations.

The quoted yield on the FTSE All-Share will fall from about 3.37 per cent at the end of the week to about 2.7 per cent today. Furthermore, the ratio between the return on government bonds and equities will increase, rendering equities slightly less attractive to institutional investors.

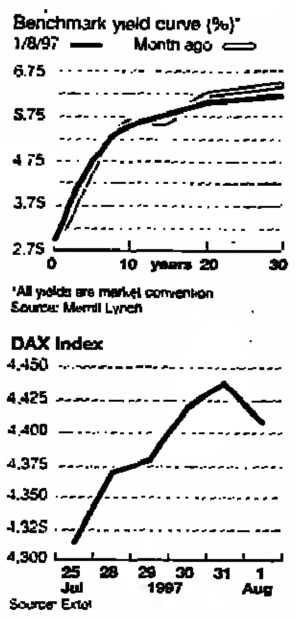
Monetary aspects will be aired on Wednesday when the Bank of England's Monetary Policy Committee meets to discuss the direction of interest rates. Its decision will be announced on Thursday.

Most analysts see base rates moving higher despite the effect that is likely to have on the strength of sterling. The only debate is by how much. NatWest Securities is cautious with a forecast of a quarter percentage point, but BZW is looking for 75 basis points.

BZW's view was given further credibility by the appointment of Mr Mervyn King as deputy governor of the Bank of England. Mr King is seen as an interest rate hawk.

Several blue-chip companies responsible for much of the Footsie's strong performance report this week. HSBC, which has led this year's 42 per cent leap in the banking sector, announces interims today. BP and Shell Transport, between them providing a 10 per cent total return during July, are to announce second-quarter numbers tomorrow and on Thursday.

FRANKFURT By Andrew Fisher



German stock market resilience will be tested this week after the sharp drop on Friday caused by Wall Street's reaction to data showing strong job creation and thus reviving inflation anxieties. The DAX blue chip index fell more than 1.5 per cent to 4,336.98 points in late electronic trading.

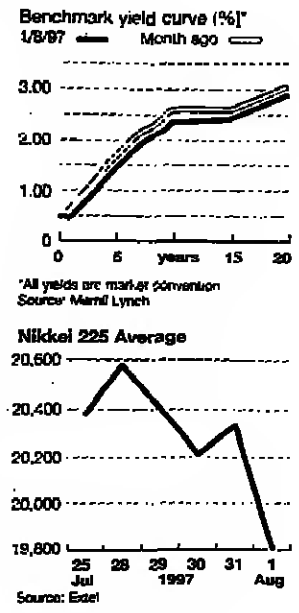
Half-year figures from Adidas, Veba, Schering and Hanover Reinsurance are due this week, as are German unemployment, production and new order data. These should confirm the picture of gradually accelerating economic recovery, although unemployment is unlikely to improve much. UBS Global Research forecasts rises of 1 per cent in production in June over May and 1.5 per cent in new orders.

Despite the setback after steep increases this year, several banks expect the DAX to go higher in the medium term – possibly over 4,700. But there are likely to be periods of consolidation, with investors becoming more nervous at the current high levels.

Uncertainty over monetary union and the Bundesbank's attitude towards the stronger dollar will also affect sentiment, and the government's failure to push through its tax package has raised doubts over its ability to reform.

Economists are divided on how the Bundesbank will react to the rise in the dollar. Hints that it could let call money rates rise this month were dismissed by Westdeutsche Landesbank, which said the political fall-out would be too strong but IBJ Research said "subtle but clear pre-emptive measures" were imminent. These could be arranged so as not to antagonise other European countries.

TOKYO By Gwen Robinson



Japanese government bonds are likely to continue benefiting from the equity market's recent woes and lukewarm economic data, which last week included bigger than expected declines in June industrial production, retail sales and construction orders.

Friday's computer system crash at the Tokyo Stock Exchange contributed to the stock market's fall. The Nikkei 225 Average fell 527.05 points, or 2.6 per cent, on Friday to end the week at 19,804.38 – the first close below 20,000 since July 11. The suspension of online trading in the morning dampened Nikkei 225 futures in Osaka and prompted hedge funds to dump cash stocks when full trading resumed in the afternoon.

Beyond short-term technical factors, however, the market faces cash-flow problems in the life insurance sector and a trend of downward earnings revisions among companies. The earlier divergence between globally competitive blue chips and domestic demand-driven laggards has "returned with a vengeance", said Mr Jason James at HSBC James Capel.

"The bull view is that the current strength of high technology issues will ultimately lift the rest of the market. The alternative view, which is more plausible, is that electricals will at some point run out of steam and the market will take some time to find an alternative motor," he said.

The JGB rally is likely to continue, said Mr William Campbell at J. P. Morgan Securities. "As expected, Japan's economy entered a down-cycle from April and current data indicates the negative effects on domestic demand continue to linger," he said.

COMMODITIES By Susanna Voyle

Precious metals push higher

Precious metals, which rose sharply at the end of last week, will be looking to consolidate and possibly push higher this week.

Platinum and palladium prices rallied on news of a strike in South Africa, while silver prices managed to push through long-held resistance at $4.40 a troy ounce. Gold was the exception, with prices continuing to drift.

Impala Platinum Holdings announced on Thursday that the National Union of Mineworkers had issued a formal notification of a strike, scheduled to start on Friday, over the annual wage round.

The prices of both platinum and palladium jumped on Friday – in spite of the fact that the company said the strike call had been largely ignored.

Supply worries were bound to hit a market already complaining of tightness. Dealers said delayed Russian deliveries of palladium were beginning to arrive at European merchants but they were in small quantities.

Palladium, they added, remained tight and in backwardation – when the price for immediate delivery rises above the forward price.

At Friday afternoon's London "fix", palladium was priced at $223.50 a troy ounce, up $15.60 from the previous day. In the morning it had been fixed at its highest level since June 9 at $224.50, a rise of $18. Platinum firmed by $5.50 to $433.50 in the afternoon.

One analysts said that while there had been some resistance in the platinum market, if the key resistance level of $440 was breached "we could see prices rallying like at the beginning of June". Platinum fixed at its highest level for seven years on June 6 at $495.

Analysts said the silver rally was fuelled by stronger second-quarter US growth figures. On Friday afternoon silver was "fixed" at 447.4 cents a troy ounce – up 4.15 cents, more than holding Thursday's sharp gains. Mr Martin Squires, analyst with brokers Rudolf Wolff, predicted consolidation.

OTHER MARKETS Compiled by Jeffrey Brown

PARIS

After being one of the laggards so far this year, Paris bucked the trend last week and the CAC-40 index reached record highs, closing at 3,049.44 on Friday, up almost 1 cent on the week.

That trend is likely to continue, despite the onset of the main holiday season. Mr Alan Webborn at UBS said it "ought to calm down in volume terms", but warned that, following the reaction to encouraging sales figures from Lafarge and Peugeot, which took shares up 1.3 per cent and 4 per cent respectively, "people will jump on anything respectable".

Retailer Promodes announces interim sales figures tomorrow, and UBS is forecasting a 5 per cent increase to FFr52bn ($8.31bn), and construction group Bouygues, due to report on Friday, is estimated at FFr20bn, up FFr10bn.

The main economic focus will be on July consumer confidence data, due Thursday. UBS expects a small decline in the overall confidence index, but believes that will have little impact: the strong rise in June was due to post-election euphoria, and a dip is not expected to affect the CAC-40's upward trend.

AMSTERDAM

The Dutch bourse paused for breath last week in spite of an upbeat interim reporting season in which results have been coming in comfortably ahead of broker expectations. The AEX index ended on Friday with a modest net five-day loss, but the view from the trading floor was that investor sentiment remained robust.

Five components of the AEX index report this week, including KLM, publishers Wolters Kluwer and Elsevier and steel giant Hoogovens. But the main event is probably the second-quarter results on Thursday from Royal Dutch. The oil leader is widely expected to produce solid earnings progress in spite of the negative impact of lower oil prices.

STOCKHOLM

Swedish shares also turned back last week, not helped by disappointing numbers from Pharmacia & Upjohn, which sparked savage earnings downgrades by brokers. This week's batch of earnings statements may help redress the balance.

Scania, Stora, Electrolux, Atlas Copco, ABB, Investor, Astra and Nycomed produce interim figures, and the results news from Finland centres on interims from Nokia, the electronics giant.

The broker consensus suggests Nokia will comfortably more than double second-quarter earnings. UBS, for example, is looking for FM1.65bn ($298m), against FM728m a year earlier.

HONG KONG

Brokers are growing increasingly bullish about Hong Kong, which last week notched up fresh records on the back of increased liquidity and warmer sentiment on the property sector, *writes Louise Lucas in Hong Kong.*

Brokers report that share gains have been made on a much broader base. In addition to mainland money flowing in, funds are being switched out of south-east Asian markets, where currency and economy concerns are continuing to make investors nervous. On Friday, the benchmark Hang Seng Index closed at a record 16,379.22, and twice last week daily turnover topped HK$27bn (US$3.49bn).

Themes this week will be the still-active red chips, or mainland-backed companies, and their targeted acquisitions. Hopewell Holdings, the infrastructure giant, is among those chased by speculation that a mainland buyer is set to buy a stake. Banks, whose interim reporting season gets fully under way today with profits announcements from HSBC Holdings and subsidiary Hang Seng Bank, will be in the spotlight.

CURRENCIES By Simon Kuper

Views diverge on UK rate rise prospects

There is a strong consensus about the UK economy. Most economists agree consumer spending is growing too fast; that the pound is too strong; and that manufacturing is stagnating. The discord creeps in over what this will mean for UK interest rates this week.

The currencies market is almost evenly divided over whether the Bank of England's monetary policy committee will raise base rates on Thursday, when its two-day meeting ends. The pound is likely to react either way.

Any rate rise would be expected to measure just 25 basis points, taking rates to 7 per cent. It would be the third successive monthly increase and would mean the committee had tightened monetary policy at every opportunity since Mr Gordon Brown, the chancellor, granted the Bank power over interest rates in May.

In favour of a rate rise is strong consumer spending and the committee's simple mandate – to keep inflation to 2.5 per cent a year.

Against is the strong pound, which, at at more than DM3.00 is hurting UK exports. Industrial production and manufacturing output figures for June, due tomorrow, could provide evidence of the pain.

Short sterling futures contracts are pricing in a rate rise this month. Therefore, should the committee leave rates unchanged, sterling would probably fall.

Otherwise it could be a slow week in the currencies market, with few big economic figures due and trading showing signs of quietening for the summer holidays.

Japan's trade balance for the first 20 days of July should bear watching tomorrow night. If its surplus with the US shrinks, fears that Washington might seek a higher yen should recede. The dollar could benefit. But the dollar/yen rate ended last week stuck just below the key Y119 level. Traders think Tokyo and Washington want to keep the dollar a Y110–Y120 range.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Iberdrola (Spain)	Coelba (Brazil)	Power	$1.6bn	Leads winning team
Arbed (Luxb'g)	CSI (Spain)	Steel	$830m	Privatisation sale agreed
Gulf Oil (US)	Stampeder Exploration (Canada)	Oil & gas	$533m	Sector shifting focus
Canal Plus (France)	Telepiu (Italy)	Broadcasting	$500m	Taking Kirch's 45%
GE Capital (US)	CTR (UK)	Trailer rental	$476m	Creates Europe's largest
Vendome (Switz)	Lancel (France)	Luxury goods	5228m	Bolstering market position
SCA (Sweden)	Cochis (Italy)	Paper	$123m	Becomes local No.1
Croda Internationel (UK)	Sloa (France)	Consumer products	$81m	Cash and debt deal
Berisford (UK)	Sammic (Spain)	Food equipment	$36m	Complementary buy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 1, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7775.74	4750.00	2558.30	4023.55
Albania	(Lek)	285.656	174.500	93.9840	147.813
Algeria	(Dinar)	99.3585	60.6955	32.6900	51.4129
Andorra	(French Fr)	10.2471	6.2597	3.3714	5.3024
	(Sp Peseta)	256.518	156.700	84.3970	132.735
Angola	(Readj Kwanza)	322351.5	196916.0	106057.0	[illegible]
Antigua	(E Carib $)	4.4199	2.7000	1.4542	[illegible]
[illegible]					
Fiji Is	(Fiji $)	2.3520	1.4368	0.7738	1.2171
Finland	(Markka)	9.0677	5.5331	2.9801	4.6869
France	(Fr)	10.2471	6.2597	3.3714	5.3024
Fr. Cty/Africa	(CFA Fr)	1024.71	625.970	337.141	530.236
Fr Guiana	(Local Fr)	10.2471	6.2597	3.3714	5.3024
Fr. Pacific Is	(CFP Fr)	185.159	113.109	60.9194	95.8104
Gabon	(CFA Fr)	1024.71	625.970	337.141	530.236
Gambia	(Dalasi)	16.2882	9.9500	5.3590	8.4283
Germany	(D-Mark)	3.0394	1.8567	1	1.5727
Ghana	(Cedi)	3560.48	2175.00	1171.43	1842.36

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6109	0.3290	0.5174
Greece	(Drachma)	473.772	289.415	155.876	245.153
Greenland	(Danish Krone)	11.5829	7.0757	3.8109	5.9936
Grenada	(E Carib $)	4.4199	2.7000	1.4542	2.2871
Guadeloupe	(French Fr)	10.2471	6.2597	3.3714	5.3024
Guam	(US $)	1.6370	1	0.5386	0.8471
[illegible]					
Nepal	(Nepalese Rupee)	93.2271	56.9500	30.6727	48.2402
Netherlands	(Guilder)	3.4239	2.0916	1.1265	1.7717
N'nd Antilles	(A/Guilder)	2.8648	1.7500	0.9425	1.4824
New Zealand	(NZ $)	2.5437	1.5539	0.8369	1.3162
Nicaragua	(Gold Cordoba)	15.5680	9.5101	5.1220	8.0557
Niger Rep	(CFA Fr)	1024.71	625.970	337.141	530.236
Nigeria	(Naira)	35.8274o	21.8860	11.7876	18.5388
	(Naira)	135.298m	82.6500	44.5145	70.0097
Norway	(Nor. Krone)	12.5764	7.6826	4.1378	6.5076
Oman	(Rial Omani)	0.6302	0.3850	0.2073	0.3261

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	66.2660	40.4795	21.8019	34.2887
Panama	(Balboa)	1.6370	1	0.5386	0.8471
Papua New Guinea	(Kina)	2.2928	1.4006	0.7543	1.1864
Paraguay	(Guarani)	3527.73	2155.00	1160.66	1825.42
Peru	(New Sol)	4.3413	2.6520	1.4283	2.2464
Philippines	(Peso)	47.8414	29.2250	15.7405	24.7554
[illegible]					
Western Samoa	(Tala)	4.2387	2.5893	1.3946	2.1933
Yemen (Rep of)	(Rial)	212.610r	130.000	70.0167	110.116
Yugoslavia	(New Dinar)	9.3447	5.7084	3.0745	4.8354
Zambia	(Kwacha)	2164.84	1322.50	712.285	1120.24
Zimbabwe	($)	19.0508	11.6375	6.2678	9.8577
ECU	(ECU)	1.5387	0.9405	0.5066	0.7967
SDR	(SDR)	1.20448	0.735041	0.401660	0.622444

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate, (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2)Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Francs (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97: FT enquiries to Business Research Centre 0171 258 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.

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Friday, August 1, 1997

SIGMA SECURITIES S. A. - MEMBER OF THE ATHENS STOCK EXCHANGE
TEL: (301) 3354100 - 3311456 - 3245674
FAX: (301) 3252241 - TELEX 210733 ATRA GR
Contact Name: Mr John Marcopoulos
REUTERS PAGES: ATGG-H-1
TELERATE PAGES: 17890-1-2
Internet Page: www. istos net.gr/sigma

ATHENS STOCK EXCHANGE July 28th - August 1st 1997 GREECE

ASE INDEX	1591.45	P/E (after tax) 97e/96e	15.0/18.2	GDP (USD bn) 97e	113.39
%Chg (31/12/96)	70.49	EPS GROWTH (%) 97e	22.9	Per Capita Income (USD)	10,903
Yearly High	1755.66	P/E 97e / EPS GROWTH (%) 97e	0.66	Inflation Rate (% Y.O.Y. June '97)	5.50
Yearly Low	932.38	P/CE 97e/96e	11.5/14.0	August 12 M T-Bill rate (%)	9.60
WEEKLY VOL (USD m)	189.41	P/BV 97e/96e	3.3/3.7	1-Month Athibor (%)	11.53
%Chg (Prev. Wk)	-99.78	Div. Yield (%) 97e/96e	3.9/3.1	GRD/US$	287.88
1 Y Wk Avg. (USD m)	287.90			A.S.E. Market Capitalisation - 1/8/97 (USD bn)	35.17
				IPOs & Rights issues (in USD m) Jan 1 97-August 25 97	1,286.52

EUROFIMA
European Company for the Financing of Railroad Rolling Stock
ITL300,000,000,000
Floating Rate Note
due 1998
Notice is hereby given that for the interest period 4 August 1997 to 4 November 1997 the notes will carry an interest rate of 6.57031% per annum. Interest payable on 4 November 1997 will amount to ITL83,954 per ITL5,000,000 and ITL839,540 per ITL50,000,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

RPS
Residential Property Securities No.4 PLC
£290,000,000 Class A1 Notes
£180,000,000 Class A2 Notes
Mortgage Backed Floating Rate Notes due 2023
In accordance with the provisions of the Notes, notice is hereby given that for the three month period 31st July 1997 to 31st October 1997, the Class A1 Notes and Class A2 Notes will carry an interest rate of 7.275% and 7.35% per annum respectively. The interest payable per £100,000 Note will be £559.13 for the Class A1 Notes and £1,852.60 for the Class A2 Notes.
NATWEST MARKETS

ALLIANCE LEICESTER
Alliance & Leicester Building Society
£250,000,000
Floating Rate Notes
due 1999
For the Interest Period 30th July, 1997 to 30th October, 1997, the Notes will carry a Rate of Interest of 7.14375 per cent per annum with interest amounts of £180.06 per £10,000 principal and £1,800.62 per £100,000 principal payable on 30th October, 1997.
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MARKETS: This Week

EMERGING MARKETS By James Kynge

Thai fall-out hits Malaysia

During the 1993 bull market, some barber's shops in Kuala Lumpur installed screens quoting stock prices so clients could trace their waxing fortunes while getting their hair cut.

The screens are now long gone. One barber last week said he had turned his back on the stock market "forever". It wasn't that the economy was faltering: the problem was that foreign speculators were wreaking havoc by attacking the Malaysian ringgit.

His exasperation mirrored that of Dr Mahathir Mohamad, the prime minister, who recently railed against currency speculators in general and Mr George Soros, the US financier, in particular for what he said was a move to undermine Malaysia's economy. Mr Soros has denied launching a speculative attack on the ringgit, which has depreciated 4 per cent since early July.

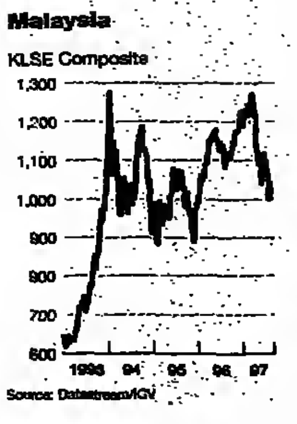
Dr Mahathir and other officials say Malaysia's economy is sound and should not be compared with that of Thailand, which is seeking help from the International Monetary Fund. But economists say while Malaysia's economy is stronger than Thailand's, the outlook for its currency, and therefore interest rates and the stock market, is linked to the fate of the Thai baht.

"If the baht stabilises over the next weeks and months, then confidence will return to the ringgit and short-term interest rates should start to come down," said one economist in Kuala Lumpur.

Others find it difficult to be sanguine. "The IMF involvement is not going to be a panacea," said Mr Desmond Supple at Barclays (BZW) in Singapore. The IMF is likely to prescribe bitter medicine which may expose more problems in the Thai financial system, further weakening the baht, observers say.

For Malaysia, a weak baht could mean Bank Negara, the central bank, having to keep short-term interest rates high to protect the ringgit, while there are growing signs that the domestic economy, which grew at 8.2 per cent last year and 9.5 per cent in 1995, is heading for a slowdown.

Vehicle sales in the first half of this year grew by 22.7 per cent, down from a 28.4 per cent growth rate last year, and Jupiter Securities, a local brokerage, said slower sales are expected in the second half because of the effect high interest rates are having on car buyers using hire purchase.



Source: Datastream/ICV

When short-term rates are high (overnight rates rose to 50 per cent during one speculative attack on the ringgit in July), there is more incentive to keep money on deposit rather than lend it for productive purposes. At 8.1 per cent on Friday, the three-month rate was about one percentage point higher than its average last year.

SocGen-Crosby, a regional brokerage house, says Malaysia will achieve economic growth of 8 per cent this year but may manage only 5.4 per cent in 1998. This prediction takes into account the effect that an expected glut in office space, retail outlets and hotels may have on property prices. SocGen-Crosby also predicts that the stock market's doldrums may contribute to the postponement or cancellation of some infrastructure projects.

Much of this bearish outlook has already been reflected in a 21.5 per cent fall in the local stock market's main index from its highs of the year to 1,002.63 on Friday. But surprises may still be sprung.

Dr Mahathir's statement last week that a new foreign company could be found to replace ABB, the Swiss-Swedish engineering group, as the lead contractor for the M$13.6bn Bakun hydroelectric dam project was just one such surprise.

Stock market investors have been dreading the flotation of Bakun, sometime over the next few months, because of the liquidity it would drain from the market. If the scheme was postponed, portfolio investors would breath a collective sigh of relief, brokers said.

But if another of Dr Mahathir's pet projects, the "multimedia super corridor", is delayed, the market may be less than enamoured. The project is seen as driving a leap up the technology ladder without which Malaysia may find it difficult to shake off the problem of wages rising faster than productivity.

At the same time, there are signs that profit margins on manufactured exports are narrowing both because of increased competitiveness in the global market and higher production costs. Some economists believe this may attenuate as the ringgit's recent depreciation makes exports cheaper.

"What I am hoping for is a few good months of trade surpluses and Malaysia could drift off the rocks," said one economist at a foreign brokerage in Singapore.

Set against this scenario is the belief that imports for infrastructure projects may gather speed, seeding the trade balance into deficit.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	1/8/97	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (449)	192.72	+1.23	+0.64	+2.58	+1.35	+32.61	+20.37
Latin America							
Argentina (22)	139.73	+3.96	+2.92	+8.45	+6.44	+32.60	+30.43
Brazil (22)	426.18	+11.86	+2.86	+14.59	+3.55	+165.15	+63.27
Chile (21)	222.80	+0.57	+0.26	+3.04	+1.38	+60.35	+37.15
Colombia (12)	238.73	-0.80	-0.33	+1.95	+0.82	+65.04	+37.44
Mexico (26)	119.61	+5.52	+4.84	+13.15	+12.35	+37.64	+46.45
Peru (12)	1,264.60	+32.13	+2.61	-100.45	-7.36	+257.38	+25.55
Venezuela (7)	94.41	+0.17	+0.18	+3.31	+3.64	+32.23	+51.84
Latin America (122)	213.80	+5.99	+2.88	+10.09	+4.95	+70.30	+48.99
Europe							
Czech Rep.(18)	75.55	-0.21	-0.28	-4.39	-5.46	-28.72	-27.54
Egypt (16)	191.08	+1.66	+0.88	-4.97	-2.53	+41.29	+27.57
Greece (19)	170.37	-3.39	-1.95	-0.70	-0.41	+58.06	+51.70
Poland (28)	285.80	+0.07	+0.02	-12.31	-4.13	-57.94	-16.86
Portugal (18)	195.91	+0.81	+0.41	+0.87	+0.44	+49.73	+34.02
Russia (9)	459.53	+0.20	+0.04	+59.31	+14.82	+280.50	+156.68
South Africa (28)	144.54	-2.09	-1.43	-3.06	-2.07	+14.66	+11.28
Turkey (27)	169.18	+6.25	+3.84	-13.48	-7.37	+44.14	+35.30
Europe (163)	140.17	-0.62	-0.44	+0.01	+0.01	+21.83	+18.45
Asia							
China (33)	77.57	+4.46	+6.09	+10.22	+15.16	+21.19	+37.51
Indonesia (26)	150.51	+1.31	+0.88	-18.46	-10.92	-5.82	-3.72
Korea (27)	88.90	-1.74	-1.90	-4.79	-5.06	+8.69	+10.70
Malaysia (20)	208.49	-7.62	-3.53	-23.18	-10.01	-71.94	-25.65
Pakistan (12)	90.78	-6.15	-6.35	+17.05	+23.12	+32.33	+55.30
Philippines (22)	236.57	+2.28	+0.97	-37.32	-13.62	-77.22	-24.81
Taiwan (30)	244.49	-6.20	-2.47	+18.69	+8.28	+59.05	+31.84
Thailand (26)	101.46	+1.61	+1.61	+4.09	+4.20	-53.70	-34.61
Asia (198)	210.99	-3.11	-1.45	-4.57	-2.12	-6.58	-3.02

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL LOANS By Edward Luce

Europe warms to secondary loan market

Bankers involved in Europe's syndicated loan market say a quiet revolution is beginning to take place. Although few believe the cycle of falling loan margins is over, many are confident the development of a secondary market will make life easier for players in this hotly competitive sector.

According to officials at the Loan Market Association – the euromarket's equivalent to the more longstanding Loan Syndication Traders Association in the US – a secondary loan market is beginning to come to life in Europe.

With a turnover of just £5bn in the first quarter of 1997, trading of syndicated loans is still only a fraction of volumes seen across the Atlantic. However, bankers say the trend is starting to show signs of steepening.

More than $1bn of Imperial Chemical Industries' recent $8.5bn syndicated loan has so far been traded on the secondary loan market, according to bankers. This makes it by far the most liquid syndicated loan in Europe so far.

The loan, which ICI took out to acquire Unilever's speciality chemicals business in April, has already tightened from the primary margin of 55 basis points to around 52 basis points in secondary trading. Bankers are hoping the success of the ICI loan will encourage other borrowers to do the same.

"We see the ICI deal as a watershed," said one banker in London. "If other borrowers follow suit then we'll see volumes grow quickly."

Officials at the LMA, which is about to issue guidelines on the trading of secondary loans, say much work needs to be done to persuade borrowers to accept having their debt transferred to third parties.

Unlike in the US, where the practice of selling loans is well established, European borrowers have strong attachments to "relationship banking". Many of Europe's blue-chip companies want to preserve the close relationships they have with their banks.

"The big European corporates are uncomfortable with the idea of a secondary loan market," said one banker. "This is a big cultural barrier for us."

Admitting, however, that most European companies are more conservative than their US counterparts does not mean the secondary loan market will be still-born.

ICI, after all, which gave a "borrowers consent" to the trading of its loan, is a leading corporate. And others, such as governments and emerging market borrowers, have less compunction about jettisoning the traditional relationships.

"For emerging market borrowers, the key aim is to achieve the lowest possible cost on their debt," said a banker. "Allowing your loan to be liquid means it can be used more efficiently."

Senior officials at the LMA say borrowers who refused to give their consent to the secondary trading of their debt could be penalised through higher margins.

Charging higher fees to more conservative borrowers might be one way of persuading them to shed their reluctance. Another way might be to tighten conditions in the loan covenant to make it less flexible. Either way, say bankers, borrowers who refuse consent will pay a premium over those who do not.

On the plus side, the LMA, which has grown to 100 members since it was set up last December, says that bankers' objections to the creation of a secondary loan market have waned in the past few months.

Many had been put off in the late 1980s when a series of unregulated secondary deals went sour. On several occasions the borrower defaulted, leaving the new owner of the loan without any redress. Officials say that the point of the LMA is to prevent such incidents from recurring.

"There were a few bad deals done in the late 1980s which gave the secondary loan market something of a cowboy image," said one.

Apart from the setting up of the LMA, which aims to promote consensus on the subject, bankers are increasingly aware of the need to make their capital work harder.

This involves portfolio management. Fees in most corners of Europe's syndicated loan market have fallen to wafer-thin levels. The opportunity for banks to take loans off their balance sheet will also enable them to fulfil capital adequacy ratios with less capital.

Another benefit touted by the LMA is the ability to diversify risk. Banks that have concentrated their lending too much on one sector or country can sell some of their loans and buy debt in unrelated sectors.

"Whichever way you look at it, the more liquid the market the more efficient the industry," said one banker.

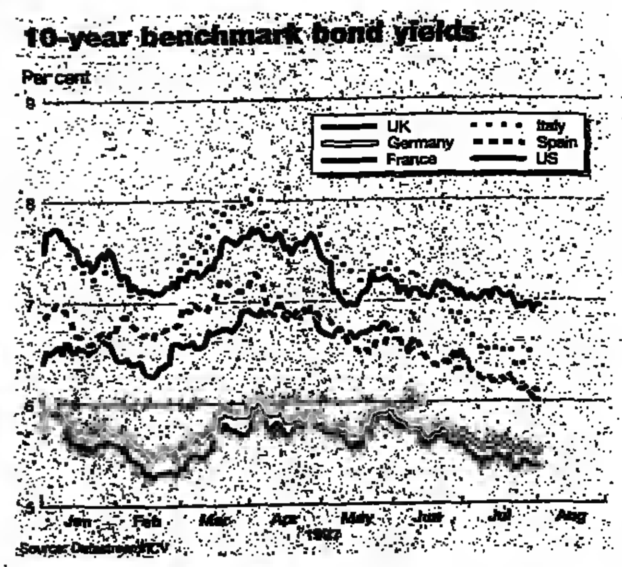
Few, however, believe that the market is about to hit exponential growth rates. The LMA is only now finalising the standardised documentation for trading between players in the secondary market.

The code of conduct for agreements in the primary market is still some way off, as is the creation of a US-style "intranet" for players to access information.

Many believe Europe's cultural differences will prevent the euromarket from ever reaching the levels of liquidity seen in the US.

"Whichever way you look at it, European banks are more secretive and disclose less than their US counterparts and European companies are more conservative," said one banker. "That doesn't mean we can't attempt to replicate what is happening in the US."

10-year benchmark bond yields



Source: Datastream/ICV

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	[illegible]	2.50	3.10(1)	6.25	6.75(2)
Overnight	n/a	n/a	3.00	3.15	6.81	n/a
Three month	5.26	0.51	3.16	3.27	6.88	6.93
One year	5.51	0.49	3.43	3.50	6.36	7.13
Five year	6.03	1.39	4.59	4.68	6.16	7.05
Ten year	6.13	2.33	5.60	5.52	6.60	7.02

(1) France-intervention rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Aza, Mexico	200	Aug 2004	9.00‖	99.25R	9.147	+300(7¼%-04)	Chase Manhattan Intl
Republic of Guatemala(s)	150	Aug 2007	8.50‖	99.6084R	8.559	+240(6⅝%-07)	Bank Boston
Banco General(s)	115	Aug 2002	7.70‖	99.957R	7.71	+165(6Jul02)	CSFB
Republic of Argentina(c)	500	Dec 2003	8.375‖	102.034	7.959	+185(5⅞%-04)	Salomon Brothers
Ind Fin Corp of Thailand(q)	250	Aug 2007	7.00‖	99.717	7.068	+112½(6⅝%-07)	Lehman Brothers Intl
Ind Finance Corp of Thailand	250	Aug 2003	7.125‖	99.825	7.143	+130(6Jul02)	Lehman Brothers Intl
Yapi Kredi Finance Co	150	Aug 2002	10.00‖	100.00R	10.00	+395(6Jul02)	UBS
Pesa(s)	100	Aug 2002	7.875‖	99.742R	7.938	+200(6Jul02)	Lehman Brothers Intl
ING Bank, Sao Paulo(t)	50	Aug 2005	7.75‖	100.00R	7.750	+170(6¼%-05)	ING Barings
Chase Manhattan Bk USA‡	500	Aug 2002	(g)	99.913R	-	-	Chase Manhattan Intl
Santander International‡	500	Aug 2002	(r)	100.074R	-	-	Morgan Stanley Intl
Banco BCH(t)	100	Aug 2005	8.125‖	99.75R	8.130	+230(IW 3yr)	UBS
Banco Credibanco(u)	100	Aug 2005	7.75‖	99.921R	7.780	+195(6¼%-05)	BZW
Lehman Brothers Hldgs plc‡	50	Aug 2002	(m)	99.828	-	-	Lehman Brothers Intl
Banco Rio de la Plata, SS‡	500	Aug 1998	(y1)	100.00	-	-	Citibank International
Banco Rio de la Plata, SS‡	80	Nov 1999	(y2)	100.00	-	-	Citibank International
Navigator Gas Transport(1)	217	Jun 2007	10.50‖	100.00R	10.50	+448(6⅝%-07)	CSFB
Navigator Gas Transport(2)◊	87	Jun 2007	12.00‖	100.00R	12.00	+598(6⅝%-07)	CSFB
Stone(f)‡	125	Aug 2000	(A)	100.00R	-	-	Salomon Brothers Intl
Sideco Americana	100	Aug 2002	(B)‖	(B)R	-	(B)(6⅞%Jul02)	Bear Stearns Intl
D-MARKS							
DSL Bank	1.5bn	Aug 2007	5.625	99.425R	5.702	+13(6%Jul07)	ABN/BNP/Dresdner
Robert Fleming Capital‡	400	Aug 2002	(l)	99.83R	-	-	Morgan Stanley Bank
Fokus Bank‡	250	Aug 2004	(k)	100.011R	-	-	UBS
YEN							
Hellenic Republic	50bn	Aug 2007	2.90‖	99.76R	2.928	+50(JGB 185)	Goldman/Nomura Intl
Hellenic Republic	50bn	Aug 2017	3.80‖	100.00R	3.800	+73(JGB 39)	Goldman/Nomura Intl
Aegon(h)‡☆	10bn	May 2001	3.00‖	100.00	-	-	Nikko Europe
STERLING							
Woolwich B/Soct	100	Aug 2004	(s1)	99.905	-	-	BZW
ICI Investments (Neths)	300	Aug 2007	7.625	99.154R	7.750	+70(7¼%-07)	BZW/NatWest Markets
RMS 1, Class A(w)‡	79.19	Mar 2034	(w1)	99.92R	-	-	Nomura International
FRENCH FRANCS							
CECC	1.5bn	Aug 2011	5.75	99.009R	5.856	+18(l)	Paribas
Dresdner France	1bn	Aug 2012	5.875	99.785R	5.897	+21(l)	BNP/Dresdner-KB
Goldman Sachs O'seas Fin	1bn	Aug 2009	6.00	99.515R	6.058	+53(l)	CDC/Lyonnais/Goldman
SWISS FRANCS							
Helaba Intl Finance(z1)	200	Jul 2002	3.00	103.15	2.314	-	CSFB
Oest Postsparkasse	200	Sep 2002	2.75	102.20	2.279	-	SBC Warburg
World Bank(z2)	200	Dec 2001	2.50	101.65	-	-	Banque Paribas(Suisse)

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
ITALIAN LIRE							
European Inv'ment Bank(d)	300bn	Feb 2007	(d1)‖	103.42	-	-	BNL/Credito/Paribas
Dresdner Bank	300bn	Sep 2002	6.00	101.795	5.579	-	BNP/San Paolo, Torino
DePfa Bank(j,e)	200bn	Sep 1999	6.00	100.00R	6.00	-9(Libor)	Credito Italiano
SCCR, 5'2, Capital One‡	720bn	Aug 2002	(n,s)	100.00R	-	-	JP Morgan Securities
GECC(p)	150bn	Jul 2002	6.125	102.735	5.471	-	BCI
BGB Finance (Ireland)‡	100bn	Aug 2007	(x)	99.75R	-	-	Cariplo
Cabco Finance(C)‡	450bn	Jan 2013	(C1)	100.00	-	-	Cariplo/Chase
AUSTRALIAN DOLLARS							
Federal National Mtg Assoc	1bn	Aug 2007	6.375‖	99.635R	6.425	+10(l)	Merrill/SBC Warburg
ECU							
KB International Finance	50	Nov 2005	(D)	101.576	-	-	Kredietbank Intl Group
EUROS							
Crédit Local de France(E,l)	50	Dec 2002	5.25	102.25	-	-	BIL
PESETAS							
Bayerische Landesbank	10bn	Sep 2002	5.20	101.024	4.964	-	BSN/Merrill Lynch/UBS
LW Rentenbank	10bn	Sep 2000	5.00	101.14	4.585	-	BBV/Merrill Lynch
ESCUDOS							
WestLB Finance Curaçao	10bn	Aug 2007	(l)	100.00	-	-	Banco CISF
Ford Credit Europe‡	10bn	Sep 2002	(F)	100.00	-	-	Banco Chemical Fin
DRACHMA							
World Bank‡	15bn	Oct 2000	(p,u)	99.989R	-	-	Credito/IMI Bank Lux
IBM International Finance(s)	15bn	Feb 2002	9.45	100.089R	9.459	-	Deutsche Morgan G'fell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ☆Unlisted. ‖Semi-annual coupon and yield. R: fixed re-offer price. a) £250m launched 21/7/97 was increased to £350m. b) Fungible with SFr250m. Plus 30 days accrued. c) Fungible with $1bn. Plus 44 days accrued. d) Fungible with L1500bn. Plus 32 days accrued. d1) 9% to 15/2/99, then 5¼%. e) Recommended re-offer. f) 6.2% in 1st yr rising 0.1%pa to 7.1%. Callable on coupon dates at par. g) Putable on 4/8/02 at par. h) Callable & putable on 8/8/00 at 99.30% and on 8/8/02 at 99.40%. i) Over interpolated yield. j) 3-mth Libor +¼%. k) 3-mth Libor +12½bp. l) Long 1st coupon. m) Redeemed in US$. n) 3-mth Libor +1bp. o) Fungible with L300bn. Plus 34 days accrued. p) 3-mth Alibor -90bp. q) 3-mth Libor +5bp. r) 3-mth Libor flat. s) Short 1st coupon. t) Callable & putable on 8/8/00 at 99.70%. u) Callable & putable on 15/8/00 & 02 at par. v) 3-mth Libor +30bp. w) Residential Mortgage Securities. 10% cleanup call. Fungible with £59m. Plus 58 days accrued. w1) 3-mth Libor +15bp to Dec 06, then +40bp. w2) Class M: £6.28m, av life 9.4 yrs, fungible with £5.2m. w3) Class 3: £3.83m, fungible with £3.19m. x) 9% to Aug 99, then 18% - 2 x 12-mth Libor. y1) 1-mth Libor +55bp. y2) 6-mth Libor +75bp to Aug 98, then +87½bp. z1) Callable on 30/6/02 at 105¼% falling 1¼%pa to par. z2) Callable on 30/6/02 at 100% falling 2%pa to par. Denom: $1,000 +7.66 non-detachable wrts. Each wrt to one shr at $11.61. A) 3-mth Libor +400bp. B) Priced later approx 325bp over Treasuries. C) Backed by amortising L450bn loan to Region of Tuscany. Av life: 9.8 yrs. C1) 6-mth Libor +15bp. D) 12% on 30/11/99, 01, 03 & 05. E) Ecus100m launched 1/7/97 was increased to Euros150m. Pays in Ecu prior to Emu. F) 6-mth Lisbor +10bp; max 7.4% from Mar 00. Note: Yields are calculated on ISMA basis.

Recommended Cash Offer

by

Lazard Brothers & Co., Limited

on behalf of

General Electric Capital Corporation*

to acquire the whole of the issued and to be issued share capital of

Central Transport Rental Group plc

[illegible]

4 August 1997

*General Electric Capital Corporation is a wholly owned subsidiary of General Electric Company, USA, not connected with the UK company of a similar name.

RAND MINES LIMITED ("the Company")
(Incorporated in the Republic of South Africa)
(Registration No 01/00936/06)

RESULT OF GENERAL MEETING

Shareholders are referred to the notice of general meeting dated 27 June 1997 which stated that Lowenco Nominees (Proprietary) Limited and Perforna Trust ("the Requisitionists") requisitioned a general meeting of shareholders to be held on Thursday, 31 July 1997 in terms of section 181 of the Companies Act 1973. The objects of the general meeting as stated by the Requisitionists in terms of section 181(2) of the Companies Act, 1973 were:

- To pass a resolution removing all of the directors of the Company as directors of the Company.
- To pass a resolution appointing new directors of the Company in place of all the directors removed.
- For the present directors to advise of, and to discuss with the shareholders, the activities of the Company since the date of its unbundling with particular reference to any negotiations which took place with any third party for the take-over of the shares of the Company.
- For the present directors to advise the shareholders of the reasons why in their opinion, it would be in the best interest of the Company for it to be wound up.
- For the present directors to advise the shareholders as to the assets and liabilities (actual or contingent) and financial status of the Company.

Shareholders are advised that at the general meeting held on Thursday, 31 July 1997 the directors responded voluntarily to the objects requiring the disclosure of information and that no questions relating to those objects were asked by shareholders. The Requisitionists did not propose a resolution to remove the directors of the Company but stated that they had been advised that a third party would make an offer to shareholders. If and when this offer is made the directors will consider and evaluate it. If no formal offer is received for a suitable transaction from a third party before the 22 August 1997 the directors will proceed with the winding-up of the Company. Shareholders are reminded that the Company's listings on the Johannesburg Stock Exchange and on the London Stock Exchange will terminate on or about the 22 August 1997.

Johannesburg 4 August 1997

Kingdom of Sweden
ITL300,000,000,000
variable rate notes
due 2004

Notice is hereby given that for the interest period 4 August 1997 to 2 February 1998 the notes will carry an interest rate of 6.63% per annum. Interest payable on 2 February 1998 will amount to ITL165,750 per ITL5,000,000 note and ITL1,657,500 per ITL50,000,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

WOOLWICH
- Building Society -
£200,000,000
Floating rate notes
due 1998

Notice is hereby given that the notes will bear interest at 7.225% per annum from 31 July 1997 to 31 October 1997. Interest payable on 31 October 1997 will amount to £182.11 per £10,000 note and £1,821.10 per £100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

PROVINCE OF BRITISH COLUMBIA
U.S. $100,000,000
Floating Rate Notes, Series BCEUS-2, due 2003
In accordance with the terms and conditions of the Notes, the interest rate for the period 5th August, 1997 to 5th February, 1998 has been fixed at 5.53125% per annum. The interest payable on 5th February, 1998 will be U.S. $278.27833 per U.S. $1,000 nominal.
Fiscal Agent, Agent Bank and Paying Agent
ROYAL BANK OF CANADA

Landes-Kreditbank Baden-Württemberg
Landeskreditbank Baden-Württemberg
US$200,000,000
Subordinated floating rate notes due 2003

Notice is hereby given that the notes will bear interest at 5.55078% per annum from 4 August 1997 to 4 February 1998. Interest payable on 4 February 1998 will amount to US$28.37 per US$1,000 note and US$283.71 per US$10,000 note and US$2,837.07 per US$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

BCE

On July 23, 1997, BCE Inc. announced its financial results for the six months ended June 30, 1997.

Those wishing a copy of BCE's second-quarter report should contact The R-M Trust Company, Balfour House, 390/8 High Road, Ilford, Essex IG1 1NQ.
Tel: 44181 478-1888.
Fax: 44181 553-0784.

BCE is Canada's largest telecommunications company. Its common shares are listed on stock exchanges in Canada, the United States and Europe. BCE can be found on the Internet at www.bce.ca

Appointments Advertising

appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.

For further information please contact:
Toby Finden-Crofts
+44 0171 873 4027

CAISSE FRANCAISE DE DEVELOPPEMENT
US$100,000,000 FLOATING RATE NOTES DUE 2003

Notice is hereby given that the Rate of Interest for the period August 4, 1997 to February 4, 1998 has been fixed at 5.55078% and that the interest payable on the relevant Interest Payment Date February 4, 1998, against Coupon No. 10 in respect of US$5,000 nominal of the Notes will be US$141.85 and in respect of US$100,000 nominal of the Notes will be US$2,837.07

August 4, 1997, London
By: Citibank, N.A. (Corporate Agency and Trust), Agent Bank CITIBANK

This notice is issued in compliance with the requirements of the London Stock Exchange. Application has been made to the London Stock Exchange for the PERQS, which are based on the price of 12.5p Ordinary Shares of SmithKline Beecham p.l.c. ("SmithKline Beecham Ordinary Shares"), and which are issued by Morgan Stanley Equity (C.I.) Limited and guaranteed by Morgan Stanley, Dean Witter, Discover & Co. to be admitted to the Official List. It does not constitute an offer or invitation to any person to subscribe for or purchase any shares. It is expected that Listing will become effective and that dealings in the PERQS based on the price of SmithKline Beecham Ordinary Shares will commence on August 11, 1997.

2,500,000

PERQS

Preferred Equity Redeemable Quarterly-pay Shares based on the price of SmithKline Beecham Ordinary Shares

issued by

MORGAN STANLEY EQUITY (C.I.) LIMITED

(Incorporated and registered with limited liability in Jersey under the Companies (Jersey) Law 1991) registered number 62160

guaranteed by

MORGAN STANLEY, DEAN WITTER, DISCOVER & CO.

(Incorporated with limited liability in the State of Delaware, U.S.A.)

Issue Price: 1,150 pence

The aggregate nominal amount of PERQS of all classes (including PERQS based on the price of SmithKline Beecham Ordinary Shares) which may be issued is £5,000,000.

Copies of the listing particulars which have been published are available for collection from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Old Broad Street, London EC2N 1HP during normal business hours for the two business days commencing with the date of this formal notice and during normal business hours on August 4, 1997 and up to and including August 18, 1997 from:

Listing Agent:
Morgan Stanley Securities Limited
25 Cabot Square
Canary Wharf
London E14 4QA

Transfer and Redemption Agent:
Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

Dated: August 4, 1997

[redacted]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.3889	+0.2231	783 - 975	21.4346	21.2862	21.3325	3.1	21.2198	3.1	20.7143	3.1	101.8
Belgium	(BFr)	62.7675	+0.6866	074 - 276	63.1230	62.2970	62.5875	3.4	62.2175	3.5	60.4675	3.7	100.8
Denmark	(DKr)	11.5829	+0.1228	777 - 881	11.6081	11.4993	11.5514	3.3	11.4874	3.3	11.1959	3.3	102.9
Finland	(FM)	9.0577	+0.0816	508 - 645	9.0900	8.9890	9.0324	3.4	8.9799	3.4	8.7672	3.2	80.6
France	(FFr)	10.2471	+0.1069	415 - 527	10.2692	10.1719	10.2141	3.9	10.1571	3.5	9.8818	3.6	103.2
Germany	(DM)	3.0394	+0.0317	380 - 408	3.0476	3.0174	3.0301	3.7	3.0111	3.7	2.9242	3.8	101.3
Greece	(Dr)	473.772	+4.006	505 - 040	478.998	471.395	475.555	-4.5	478.178	-3.7	486.547	-2.7	65.2
Ireland	(I£)	1.1284	+0.0037	269 - 298	1.1314	1.1256	1.1279	0.5	1.1265	0.7	1.1157	1.1	98.3
Italy	(L)	2967.88	+33.89	616 - 961	2972.48	2943.95	2967.96	0.0	2967.93	0.0	2965.33	0.1	75.3
Luxembourg	(LFr)	62.7675	+0.6866	074 - 276	63.1230	62.2970	62.5875	3.4	62.2175	3.5	60.4675	3.7	100.8
Netherlands	(Fl)	3.4239	+0.0383	221 - 257	3.4323	3.4002	3.4137	3.6	3.3928	3.6	3.2968	3.7	100.0
Norway	(NKr)	12.5764	+0.097	704 - 824	12.6485	12.5129	12.5439	3.1	12.4829	3.0	12.2139	2.9	95.5
Portugal	(Es)	307.308	+3.386	171 - 441	307.714	305.226	307.15	0.6	306.82	0.9	302.532	1.6	91.7
Spain	(Pta)	256.518	+2.583	358 - 678	256.980	254.840	256.203	1.5	255.453	1.7	251.083	2.1	76.1
Sweden	(SKr)	13.1196	+0.0804	115 - 277	13.1806	13.0730	13.0921	2.5	13.0336	2.6	12.7771	2.6	85.2
Switzerland	(SFr)	2.4891	+0.013	875 - 906	2.4942	2.4814	2.4782	5.3	2.4566	5.4	2.3554	5.4	105.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.3
Ecu	-	1.5397	+0.0149	388 - 405	1.5424	1.5296	1.5364	2.6	1.5292	2.7	1.4852	2.9	-
SDR†	-	1.204458	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6362	-0.001	357 - 367	1.6427	1.6327	-	-	-	-	-	-	-
Brazil	(R$)	1.7730	-0.0004	723 - 736	1.7792	1.7689	-	-	-	-	-	-	-
Canada	(C$)	2.2605	-0.0028	594 - 618	2.2644	2.2518	2.2536	3.6	2.24	3.6	2.1891	3.2	85.2
Mexico	(New Peso)	12.8030	-0.0162	909 - 151	12.8515	12.7738	-	-	-	-	-	-	-
USA	($)	1.6370	-0.0005	365 - 375	1.6430	1.6330	1.6351	1.4	1.631	1.5	1.6124	1.5	106.0
Pacific/Middle East/Africa													
Australia	(A$)	2.2120	+0.0142	106 - 134	2.2148	2.1977	2.2084	2.0	2.2	2.2	2.1631	2.2	93.5
Hong Kong	(HK$)	12.6751	-0.0033	704 - 798	12.7201	12.6451	12.6741	0.1	12.6677	0.2	12.6126	0.5	-
India	(Rs)	58.5719	+0.1213	376 - 061	58.7920	58.4560	58.7671	-4.0	59.1677	-4.1	60.8474	-3.8	-
Israel	(Shk)	5.7912	-0.0008	806 - 018	5.8119	5.7800	-	-	-	-	-	-	-
Japan	(Y)	193.256	-0.624	140 - 372	195.460	192.890	192.236	5.3	190.211	6.3	181.226	6.2	132.3
Malaysia	(M$)	4.3176	+0.0003	138 - 214	4.3277	4.3020	4.3216	-1.2	4.3298	-1.1	4.3485	-0.7	-
New Zealand	(NZ$)	2.5437	+0.0182	415 - 459	2.5525	2.5281	2.5469	-1.5	2.5507	-1.1	2.5513	-0.3	108.3
Philippines	(Peso)	47.8414	+0.3538	403 - 425	49.1533	47.4827	48.0012	-4.0	48.2507	-3.4	49.3077	-3.1	-
Saudi Arabia	(SR)	6.1397	-0.0018	377 - 416	6.1621	6.1247	6.1362	0.7	6.1278	0.8	6.0913	0.8	-
Singapore	(S$)	2.4123	+0.0035	107 - 138	2.4185	2.4052	2.4077	2.3	2.3975	2.4	2.3494	2.6	-
South Africa	(R)	7.5851	+0.0354	803 - 898	7.5938	7.5369	7.6458	-9.6	7.7637	-9.4	8.2006	-8.1	-
South Korea	(Won)	1456.11	-1.27	239 - 983	1461.12	1451.01	-	-	-	-	-	-	-
Taiwan	(T$)	47.0810	+0.1044	510 - 109	47.2280	46.8933	47.0645	0.4	47.0247	0.5	46.827	0.5	-
Thailand	(Bt)	52.3287	+0.1313	534 - 000	52.5760	51.1270	52.6633	-7.7	53.1249	-6.1	54.1551	-3.5	-

† Rates for Jul 31. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J P Morgan index
Europe													
Austria	(Sch)	13.0647	+0.1402	622 - 672	13.0970	12.9410	13.0407	2.2	12.9917	2.2	12.7677	2.3	101.4
Belgium	(BFr)	38.3430	+0.431	180 - 680	38.6050	37.9870	38.268	2.3	38.1165	2.4	37.423	2.4	101.1
Denmark	(DKr)	7.0757	+0.0772	747 - 767	7.0928	7.0068	7.064	2.0	7.0397	2.0	6.9333	2.0	102.5
Finland	(FM)	5.5331	+0.0576	306 - 356	5.5544	5.4641	5.5216	2.5	5.498	2.5	5.4041	2.3	80.2
France	(FFr)	6.2597	+0.0672	582 - 612	6.2747	6.2015	6.2481	2.2	6.2245	2.3	6.1155	2.3	102.9
Germany	(DM)	1.8567	+0.0188	564 - 570	1.8615	1.8392	1.8529	2.5	1.8451	2.5	1.8101	2.5	101.3
Greece	(Dr)	289.415	+2.535	340 - 490	291.600	287.240	290.71	-5.4	292.765	-4.6	299.915	-3.6	64.9
Ireland	(I£)	1.4508	-0.0052	494 - 522	1.4580	1.4463	1.4501	0.6	1.4491	0.5	1.4495	0.1	-
Italy	(L)	1813.00	+21.25	250 - 350	1816.25	1794.90	1814.77	-1.2	1817.78	-1.1	1821.2	-0.5	75.3
Luxembourg	(LFr)	38.3430	+0.431	180 - 680	38.6050	37.9870	38.268	2.3	38.1165	2.4	37.423	2.4	101.1
Netherlands	(Fl)	2.0918	+0.0241	911 - 920	2.0972	2.0719	2.0874	2.4	2.0789	2.4	2.0411	2.4	100.3
Norway	(NKr)	7.6826	+0.0618	813 - 839	7.7290	7.6253	7.6681	2.3	7.6397	2.2	7.528	2.0	94.9
Portugal	(Es)	187.725	+2.125	700 - 750	188.140	185.960	187.689	0.2	187.635	0.2	186.465	0.7	92.5
Spain	(Pta)	156.700	+1.625	650 - 750	157.020	155.330	156.665	0.3	156.46	0.6	155.305	0.9	75.7
Sweden	(SKr)	8.0144	+0.0515	119 - 169	8.0587	7.9821	8.0053	1.4	7.986	1.4	7.912	1.3	84.6
Switzerland	(SFr)	1.5205	+0.0084	200 - 210	1.5250	1.5125	1.5151	4.2	1.5045	4.2	1.459	4.0	105.1
UK	(£)	1.6370	-0.0005	365 - 375	1.6430	1.6330	1.6351	1.4	1.631	1.5	1.6124	1.5	104.3
Ecu	-	1.0633	-0.0107	630 - 635	1.0710	1.0610	1.0647	-1.6	1.0679	-1.7	1.0835	-1.9	-
SDR†	-	0.73604	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0003	995 - 995	0.9995	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	1.0831	+0.0001	830 - 831	1.0833	1.0830	-	-	-	-	-	-	-
Canada	(C$)	1.3809	-0.0013	806 - 811	1.3822	1.3775	1.3778	2.7	1.372	2.6	1.3515	2.1	85.0
Mexico	(New Peso)	7.8210	-0.0075	160 - 260	7.8270	7.8150	7.9295	-16.6	8.1405	-16.3	9.051	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3513	+0.0091	508 - 517	1.3530	1.3480	1.3507	0.5	1.3489	0.7	1.3405	0.8	95.8
Hong Kong	(HK$)	7.7429	+0.0004	424 - 434	7.7438	7.7410	7.7434	-0.1	7.7443	-0.1	7.7466	0.0	-
India	(Rs)	35.7800	+0.085	700 - 900	35.8150	35.7070	35.9175	-4.6	36.2025	-4.7	37.415	-4.8	-
Israel	(Shk)	3.5377	+0.0006	323 - 431	3.5438	3.5264	-	-	-	-	-	-	-
Japan	(Y)	118.055	-0.345	020 - 090	119.170	117.890	117.54	5.2	116.54	5.1	112.24	4.8	132.6
Malaysia	(M$)	2.6375	+0.001	360 - 390	2.6395	2.6260	2.642	-2.0	2.651	-2.0	2.681	-1.6	-
New Zealand	(NZ$)	1.5539	+0.0122	530 - 547	1.5560	1.5526	1.5547	-0.6	1.5571	-0.8	1.5672	-0.9	-
Philippines	(Peso)	29.2250	+0.225	500 - 000	30.1000	28.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 506	3.7507	3.7504	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.4736	+0.0026	731 - 741	1.4755	1.4689	1.4719	1.4	1.4681	1.5	1.4486	1.7	-
South Africa	(R)	4.6335	+0.023	320 - 360	4.6430	4.6090	4.674	-10.5	4.7535	-10.4	5.056	-8.1	-
South Korea	(Won)	889.500	-0.5	500 - 500	891.700	886.800	-	-	-	-	-	-	-
Taiwan	(T$)	28.7605	+0.0725	510 - 700	28.7900	28.5900	28.7715	-0.5	28.7605	-0.3	28.873	-0.4	-
Thailand	(Bt)	31.9650	+0.09	300 - 000	32.1000	31.1600	32.41	-16.7	33.115	-14.4	34.345	-7.4	-

† SDR rate per $ for Jul 31. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 31. Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 11/16	3 3/4	3 3/4	3 13/16	3 15/16	6.00	2.50	-
week ago	4	3 5/8	3 3/4	3 7/8	3 15/16	6.00	2.50	-
France	3 3/8	3 5/8	3 11/16	3 1/2	3 3/4	3.10	-	4.75
week ago	3 1/4	3 9/16	3 11/16	3 3/4	3 13/16	3.10	-	4.75
Germany	3	3 3/16	3 3/16	3 11/32	3 17/32	4.50	2.50	3.00
week ago	2 15/16	3 3/16	3 3/16	3 5/16	3 15/32	4.50	2.50	3.00
Ireland	6 7/8	6 3/4	6 3/4	6 3/4	6 1/4	-	-	6.75
week ago	6 1/2	6 1/4	6 5/8	6 1/2	6	-	-	6.75
Italy	6 11/16	6 3/4	6 15/16	6 7/16	6 7/16	7.75	6.25	6.27
week ago	6 15/16	6 3/4	6 5/8	6 1/2	6 15/32	7.75	6.25	6.27
Netherlands	3 3/8	3 1/4	3 1/4	3 3/8	3 1/2	-	2.50	2.90
week ago	3 3/8	3 1/4	3 3/8	3 13/32	3 5/8	-	2.50	2.90
Switzerland	1 1/2	1 1/2	1 9/16	1 5/8	1 11/16	-	1.00	-
week ago	1 5/8	1 1/2	1 5/8	1 21/32	1 23/32	-	1.00	-
US	5 5/8	5 5/8	5 5/8	5 5/8	5 25/32	-	5.00	-
week ago	5 1/4	5 9/16	5 5/8	5 3/4	6 1/32	-	5.00	-
Japan	1/2	1/2	9/16	9/16	23/32	-	0.50	-
week ago	15/32	1/2	21/32	11/16	25/32	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	5 5/8	5 11/16	5 25/32	5 29/32	-	-	-
week ago	-	5 5/8	5 23/32	5 25/32	5 31/32	-	-	-
US Dollar CDs	-	5.39	5.44	5.51	5.64	-	-	-
week ago	-	5.39	5.48	5.55	5.69	-	-	-
ECU Linked Ds	-	4 1/32	4 1/4	4 5/16	4 11/32	-	-	-
week ago	-	4 1/32	4 1/16	4 3/32	4 5/32	-	-	-
SDR Linked Ds	-	3 1/2	3 9/16	3 21/32	3 29/32	-	-	-
week ago	-	3 1/2	3 19/32	3 21/32	3 27/32	-	-	-

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/2 - 3 3/16	3 5/8 - 3 1/2	3 5/8 - 3 1/2	3 13/16 - 3 11/16	3 5/8 - 3 1/2	3 31/32 - 3 27/32
Danish Krone	3 19/32 - 3 11/32	3 17/32 - 3 13/32	3 9/16 - 3 7/16	3 5/8 - 3 17/32	3 23/32 - 3 5/8	4 - 3 7/8
German Mark	3 1/4 - 3	3 3/32 - 2 29/32	3 3/32 - 3 1/16	3 7/32 - 2 31/32	3 15/32 - 3 7/32	3 19/32 - 3 11/32
Dutch Guilder	3 1/2 - 3	3 9/32 - 3 5/32	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 7/16 - 3 5/16	3 9/16 - 3 7/16
French Franc	3 1/4 - 3 3/32	3 5/16 - 3 3/16	3 11/32 - 3 7/32	3 13/32 - 3 9/32	3 1/2 - 3 13/32	3 11/16 - 3 9/16
Portuguese Esc.	5 19/32 - 5 7/16	5 11/16 - 5 21/32	5 11/16 - 5 21/32	5 19/32 - 5 7/16	5 1/2 - 5 7/16	5 5/16 - 5 9/32
Spanish Peseta	5 1/2 - 5 13/32	5 15/32 - 5 5/16	5 13/32 - 5 9/32	5 5/16 - 5 3/16	5 1/4 - 5 1/8	5 1/4 - 5 1/8
Sterling	6 7/8 - 6 5/8	6 7/8 - 6 3/4	6 31/32 - 6 11/16	7 3/32 - 6 7/8	7 5/16 - 7 3/16	7 17/32 - 7 13/32
Swiss Franc	1 3/4 - 1 1/4	1 11/16 - 1 7/16	1 5/8 - 1 1/2	1 21/32 - 1 17/32	1 11/16 - 1 7/16	1 13/16 - 1 9/16
Canadian Dollar	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 15/32 - 3 11/32	3 19/32 - 3 15/32	3 27/32 - 3 23/32	4 1/4 - 4 1/8
US Dollar	5 13/16 - 5 11/16	5 5/8 - 5 1/2	5 19/32 - 5 1/2	5 23/32 - 5 9/16	5 11/16 - 5 9/16	5 7/8 - 5 27/32
Italian Lira	7 7/16 - 8 7/16	6 13/16 - 6 11/16	6 27/32 - 6 3/4	6 3/4 - 6 21/32	6 23/32 - 6 19/32	6 1/16 - 6 3/8
Japanese Yen	17/32 - 1/2	9/16 - 17/32	9/16 - 7/16	5/8 - 1/2	5/8 - 17/32	23/32 - 19/32
Asian $Sing	2 3/4 - 2 1/2	3 3/4 - 3 5/8	3 15/16 - 3 13/16	4 - 3 7/8	4 - 3 7/8	4 1/16 - 3 15/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.31	94.27	-0.04	94.32	94.26	66,025	523,254
Dec	94.22	94.11	-0.11	94.24	94.10	130,301	470,548
Mar	94.18	94.03	-0.15	94.20	94.02	129,898	321,494

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

Sep	94.95	94.90	-0.04	94.96	94.89	189	6,964
Dec	94.84	94.80	-0.11	94.88	94.79	10	777

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.33	4.842	1.798	4728	5.455	20.04	489.6	408.7	20.90	3.966	1.593	3.601	2.608	307.9	2.453
Denmark	(DKr)	54.19	10	8.847	2.624	0.974	2562	2.956	10.86	265.3	221.5	11.33	2.149	0.863	1.952	1.413	166.8	1.329
France	(FFr)	61.25	11.30	10	2.966	1.101	2896	3.341	12.27	299.9	250.3	12.80	2.429	0.976	2.206	1.598	188.6	1.502
Germany	(DM)	20.65	3.811	3.371	1	0.371	976.5	1.127	4.138	101.1	84.40	4.318	0.819	0.329	0.744	0.539	63.58	0.507
Ireland	(I£)	55.63	10.27	9.082	2.694	1	2630	3.035	11.15	272.4	227.3	11.63	2.206	0.886	2.003	1.451	171.3	1.364
Italy	(L)	2.115	0.390	0.345	0.102	0.038	100	0.115	0.424	10.35	8.643	0.442	0.084	0.034	0.076	0.055	6.512	0.052
Netherlands	(Fl)	18.33	3.383	2.993	0.888	0.330	866.8	1	3.673	89.75	74.92	3.832	0.727	0.292	0.660	0.478	56.44	0.450
Norway	(NKr)	49.91	9.210	8.146	2.417	0.897	2360	2.723	10	244.4	204.0	10.43	1.979	0.795	1.797	1.302	153.7	1.224
Portugal	(Es)	20.43	3.769	3.335	0.989	0.367	965.8	1.114	4.092	100	83.47	4.269	0.810	0.325	0.736	0.533	62.89	0.501
Spain	(Pta)	24.47	4.515	3.995	1.185	0.440	1157	1.335	4.903	119.8	100	5.114	0.970	0.390	0.881	0.638	75.34	0.600
Sweden	(SKr)	47.84	8.829	7.811	2.317	0.860	2262	2.610	8.586	234.2	195.5	10	1.897	0.762	1.723	1.248	147.3	1.173
Switzerland	(SFr)	25.22	4.654	4.117	1.221	0.453	1192	1.376	5.053	123.5	103.1	5.271	1	0.402	0.908	0.658	77.64	0.619
UK	(£)	62.77	11.58	10.25	3.039	1.128	2968	3.424	12.58	307.3	256.5	13.12	2.489	1	2.261	1.637	193.3	1.540
Canada	(C$)	27.77	5.124	4.533	1.345	0.499	1313	1.515	5.563	135.9	113.5	5.804	1.101	0.442	1	0.724	85.49	0.681
USA	($)	38.34	7.076	6.260	1.857	0.689	1813	2.092	7.683	187.7	156.7	8.014	1.521	0.611	1.381	1	118.1	0.940
Japan	(Y)	32.48	5.994	5.302	1.573	0.584	1536	1.772	6.508	159.0	132.7	6.789	1.288	0.517	1.170	0.847	100	0.797
Ecu		40.77	7.524	6.656	1.974	0.733	1928	2.224	8.169	199.8	166.6	8.522	1.617	0.650	1.468	1.063	125.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.5453	0.5380	-0.0070	0.5457	0.5369	17,388	122,093
Dec	0.5448	0.5412	-0.0070	0.5449	0.5402	88	3,225
Mar	0.5440	0.5443	-0.0070	0.5440	0.5438	2	545

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Sep	0.6648	0.6581	-0.0057	0.6648	0.6568	12,544	58,822
Dec	0.6685	0.6649	-0.0057	0.6685	0.6638	240	2,180
Mar	-	0.6718	-0.0057	-	0.6710	2	987

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.8484	0.8498	+0.0017	0.8540	0.8443	19,820	77,212
Dec	0.8580	0.8608	+0.0018	0.8636	0.8557	131	1,975
Mar	-	0.8721	+0.0019	-	-	8	413

■ STERLING FUTURES (IMM) £62,500 per £

Sep	1.6370	1.6284	-0.0068	1.6400	1.6270	9,386	46,658
Dec	1.6306	1.6224	-0.0068	1.6310	1.6200	118	842
Mar	-	1.6168	-0.0066	1.6206	1.6150	5	201

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.630	1.11	1.86	2.41	0.98	1.91	2.57
1.640	0.68	1.42	1.96	1.46	2.51	3.06
1.650	0.43	1.06	1.58	2.26	3.04	-

Previous day's vol., Calls 0 Puts 327. Prev. day's open int., Calls 32,254 Puts 35,314

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.530	0.83	1.18	1.46	0.18	0.41	0.59
0.535	0.50	0.89	1.16	0.35	0.56	0.79
0.540	0.30	0.63	0.90	0.62	0.82	1.04

Previous day's vol., Calls 283 Puts 328. Prev. day's open int., Calls 13,770 Puts 13,420

UK INTEREST RATES

LONDON MONEY RATES

Aug 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 6 1/4	6 15/16 - 6 5/8	7 - 6 13/16	7 3/16 - 7 1/32	7 5/16 - 7 3/16	7 9/16 - 7 7/16
Sterling CDs	-	-	6 25/32 - 6 23/32	6 15/16 - 6 7/8	7 3/32 - 7 1/32	7 5/16 - 7 1/4
Treasury Bills	-	-	6 13/16 - 6 11/16	6 7/8 - 6 3/4	-	-
Bank Bills	-	-	6 23/32 - 6 21/32	6 31/32 - 6 29/32	7 3/32 - 7 1/32	-
Local authority deps.	6 5/8 - 6 1/2	6 3/4 - 6 5/8	6 7/8 - 6 13/16	7 1/32 - 6 31/32	7 3/16 - 7 1/8	7 7/16 - 7 3/8
Discount Market deps	6 7/8 - 6 13/16	6 3/4 - 6 5/8	-	-	-	-

UK clearing bank base lending rate 6 3/4 per cent from Jul 10, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Aug 1, 6.7348pc. ECGD fixed rate Stlg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 6.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 1	Jul 25		Aug 1	Jul 25
Bills on offer	£200m	£200m	Top accepted rate	6.7385%	6.6582%
Total of applications	£1078m	£880m	Ave. rate of discount	6.7348%	6.6436%
Total allocated	£200m	£200m	Average yield	6.8498%	6.7555%
Min. accepted bid	£98.320	£98.340	Offer at next tender	£200m	£200m
Allotment at min. level	86%	39%	Min. accept. bid 92 days	-	-

■ Pound in New York

Aug 1	Close	Prev. close
£ spot	1.6315	1.6405
1 mth	1.6296	1.6387
3 mth	1.6255	1.6346
1 yr	1.6082	1.6167

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	Scottish Widows Bank	6.75
Allied Irish Bank (GB)	6.75	Exeter Bank Limited	7.75	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	●Robert Fleming & Co	6.75	Sun Banking Corp Ltd	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	TSB	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Unity Trust Bank Plc	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Western Trust	6.50
Bank of Scotland	6.75	C. Hoare & Co	6.75	Whiteaway Laidlaw	6.75
Barclays Bank	6.75	Hongkong & Shanghai	6.75	Yorkshire Bank	6.75
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Midland Bank	6.75		
Coutts & Co	6.75	NatWestminster	6.75		
Cyprus Popular Bank	6.75	●Rea Brothers	6.75		
		Royal Bk of Scotland	6.75		

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OTHER STATISTICS

STOCK INDICES

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RIGHTS OFFERS

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BANK RETURN

BANKING DEPARTMENT	Wednesday July 30, 1997	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,286,526,992	+332,526,180
Bankers deposits	2,607,746,766	-5,259,967
Reserve and other accounts	3,327,580,341	+182,327,241
	7,236,406,699	+500,113,388
Assets		
Government securities	1,375,131,305	-3,040,000
Advance and other accounts	4,550,486,584	+251,402,722
Premise, equipment and other secs	1,300,103,272	+253,505,428
Notes	10,567,618	-1,862,472
Coin	118,220	+7,710
	7,236,406,699	+500,113,388
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	22,049,432,382	+121,862,472
Notes in Banking Department	10,567,618	-1,862,472
	22,060,000,000	+120,000,000
Assets		
Other Government securities	13,549,717,470	-2,961,328,759
Other Securities	8,510,282,530	+3,081,328,759
	22,060,000,000	+120,000,000

LONDON RECENT ISSUES: EQUITIES

[illegible]

TRADITIONAL OPTIONS

First Dealings Jul 28 Expiry Oct 23
Last Dealings Aug 8 Settlement Nov 3
Calls: Cellone, Cortecs, Edge Prices, Emerald Energy, Jarvis, Premier Oil, Silvermines, Verity.

FTSE GOLD MINES INDEX

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UK GILTS PRICES

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Other Fixed Interest

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BANKS, RETAIL

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BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

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[illegible]

ELECTRONIC & ELECTRICAL EQPT

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ENGINEERING

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ENGINEERING - Cont.

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EXTRACTIVE INDUSTRIES - Cont.

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FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

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INVESTMENT TRUSTS

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INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

MEDIA - Cont.

PROPERTY

RETAILERS, GENERAL - Cont.

TEXTILES & APPAREL - Cont.

AIM - Cont.

TOBACCO

TRANSPORT

SUPPORT SERVICES

OIL EXPLORATION & PRODUCTION

INVESTMENT COMPANIES

OIL, INTEGRATED

WATER

AIM

OTHER FINANCIAL

AMERICANS

LEISURE & HOTELS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Anglo Am Ind R		£27½	4.0	0545c	ф	May Oct	2.0	-
Barlow	‡†	£7½	5.1	0108c	3.3	Jan Jul	9.12	-
Gold Flds Prop R	†	164½	7.9	065c	1.5	Feb Sep	296	-
SA Brews		£19½	4.2	0287c	ф	Jul Feb	2.6	4113
Standard Bank		£29½	0.1	0407c	ф	Sep Mar	3.3	-
Tiger Oats	†	1042	-1.3	0129c	2.8	Jan Jul	6.6	-
Tongaat-Hulett		752¼	1.7	0142c	ф	Jan Jul	17.6	-

The Financial Times plans to publish a Survey on

Lebanon

on Tuesday, September 9

For further information, please contact:

Richard Foster

Tel: +44 171 873 3753 Fax: +44 171 873 3595

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FT Surveys

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

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RETAILERS, FOOD

LIFE ASSURANCE

TELECOMMUNICATIONS

MEDIA

RETAILERS, GENERAL

TEXTILES & APPAREL

PHARMACEUTICALS

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Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 21(a)(v) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- †‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

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FT Share Service

The following changes have been made to the FT Share Information Service: **Deletions: CAMAS** (BdMa). **Beverley** (Eng).

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IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

The Financial Times plans to publish a Survey on

Kansai

on Tuesday September 9

Haj Haffejee in London

Tel. +44 171 873 4784

Fax: +44 171 873 3204

or Patrick Brennan in Tokyo

Tel: +81 3 3295 4050

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American Phoenix Investment Portfolios (n)
73 rue Goethe, L-1637 Luxembourg 00 352 40464011

[illegible]

Frontrunner I (n)
672 rue de Neudorf, Luxembourg 00 352 4387350

[illegible]

Morgan Stanley Sicav - Contd.

[illegible]

ACM Offshore Funds - Contd.

[illegible]

Credis Investment Funds - Contd.

[illegible]

Merrill Lynch Asset Management - Contd.

[illegible]

TCW Luxembourg Funds

[illegible]

Target International Ltd

[illegible]

Templeton Emerging Asia

[illegible]

Finexco International Ltd
PO Box 193, St Peter Port, Guernsey 01481 713100

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

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The Business of Space

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For further information, please contact:

Maria McCoy
Tel: +44 171 873 4358
Fax: +44 171 873 3204

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WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

AUSTRIA (Aug 1 / Sch)

BELGIUM/LUXEMBOURG (Aug 1 / Frs.)

CZECH REP (Aug 1 / Koruna)

DENMARK (Aug 1 / Kr)

FINLAND (Aug 1 / Mks)

FRANCE (Aug 1 / Frs.)

GERMANY (Aug 1 / Dm.)

GREECE (Aug 1 / Drachma)

ITALY (Aug 1 / Lire)

NETHERLANDS (Aug 1 / Fls.)

NORWAY (Aug 1 / Kroner)

POLAND (Aug 1 / Zloty)

PORTUGAL (Aug 1 / Escudo)

SPAIN (Aug 1 / Pts.)

SWEDEN (Aug 1 / Kronor)

SWITZERLAND (Jul 31 / Frs.)

TURKEY (Aug 1 / Tk Lira)

PACIFIC

JAPAN (Aug 1 / Yen)

HONG KONG (Aug 1 / H.K.$)

INDONESIA (Aug 1 / Rupiah)

MALAYSIA (Aug 1 / MYR)

NEW ZEALAND (Aug 1 / NZ $)

SINGAPORE (Aug 1 / S$)

AUSTRALIA (Aug 1 / Aust$)

SOUTH KOREA (Aug 1 / Won)

TAIWAN (Aug 1 / TW $)

THAILAND (Aug 1 / Baht)

AFRICA

SOUTH AFRICA (Aug 1 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 1 / Can $)
4 pm close

MONTREAL (Aug 1 / Can $)
4 pm close

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INDICES

	Aug 1	Jul 31	Jul 30	1997 High	1997 Low
Argentina					
General(29/12/77)	24371.52	24802.28	24564.98	24634.87 29/7	0.00 9/7
Australia					
All Ordinaries(1/1/80)	2727.5	2735.1	2735.0	2746.80 2/7	2352.20 1/4
All Mining(1/1/80)	962.2	868.3	871.5	987.10 24/2	831.10 8/7
Austria					
Credit Aktien(30/12/84)	468.82	466.42	461.63	468.82 1/8	374.40 9/1
Traded Index(2/1/91)	1471.46	1480.48	1474.01	1480.48 31/7	1130.22 9/1
Belgium					
BEL20(1/1/91)	2536.04	2579.30	2598.36	2621.80 28/7	1871.06 2/1
Brazil					
Bovespa(29/12/83)	12258.0	12872.0	13019.0	13617.00 9/7	8865.50 2/1
Canada					
Metals Minls(1975)	5412.04	5439.49	5465.63	5991.76 10/3	4845.88 11/4
Composite(1975)	6851.10	6877.88†	6850.60	6877.88 31/7	5079.30 14/4
Portfolio(4/1/83)	3436.47	3450.21	3452.84	3452.84 30/7	2548.82 11/4
Chile					
IGPA Gen(31/12/80)	5734.74	5706.70	5717.81	5988.71 4/7	4912.42 2/1
Denmark					
CopenhagenSE(3/1/83)	646.87	645.99	644.08	656.28 17/7	470.14 2/1
Finland					
HEX General(28/12/90)	3609.99	3615.97	3587.15	3615.97 31/7	2483.28 2/1
France					
SBF 250(31/12/90)	1980.56	2003.43	1998.02	2003.43 31/7	1533.18 2/1
CAC 40(31/12/87)	3049.44	3075.87	3069.30	3075.87 31/7	2256.97 2/1
Germany					
FAZ Aktien(31/12/58)	1470.79	1481.44	1468.79	1481.44 31/7	986.21 2/1
Commerzbank(1/12/53)	4305.30	4336.70	4296.70	4336.70 31/7	2875.80 2/1
DAX(30/12/87)	4408.79	4438.93	4421.72	4438.93 31/7	2848.77 2/1
Greece					
Athens SE(31/12/80)	1591.45	1596.34	1584.17	1727.70 23/5	954.54 2/1
Hong Kong					
Hang Seng(31/7/64)	16379.22	16365.71	15983.18	16379.22 1/8	12055.17 3/4
India					
BSE Sens.(1979)	4347.32	4305.76	4244.89	4404.89 9/7	3225.24 2/1
Indonesia					
Jakarta Comp.(10/8/82)	721.77	721.27	721.97	740.83 8/7	631.27 15/4
Ireland					
ISEQ Overall(4/1/88)	3676.98	3687.00†	3630.29	3687.00 31/7	2725.07 2/1
Italy					
Banca Comm Ital(1972)	917.18	928.19	923.88	950.16 23/7	542.65 2/1
MIB General(2/1/97)	1379.0	1395.0	1389.0	1442.00 23/7	991.00 2/1
Japan					
Nikkei 225(16/5/49)	19804.38	20331.43	20212.82	20681.07 16/6	17303.65 10/1
Nikkei 300(1/10/82)	295.49	301.93	300.04	303.71 28/7	281.04 27/1
Topix(4/1/68)	1012.70	1544.04	1536.92	1580.28 26/6	1320.82 10/4
2nd Section(4/1/68)	1762.57	1769.29	1770.33	1846.25 30/6	1516.50 15/4
Malaysia					
KLSE Comp.(4/4/86)	1002.63	1012.84	1024.74	1271.57 25/2	1001.55 18/7
Mexico					
IPC(Nov 1978)	(u)	5067.83	4974.23	5067.80 31/7	3359.46 2/1
Netherland					
CBS TtlRtnGen(End 83)	1145.8	1150.7	1141.9	1158.10 28/7	730.80 2/1
CBS All Shr(End 83)	662.0	664.8	659.8	668.80 28/7	429.09 2/1
New Zealand					
Cap. 40(1/7/86)	2574.63	2571.98	2575.52	2575.52 30/7	2207.48 1/4
Norway					
Oslo SE(Ind)(2/1/83)	2128.98	2134.14	2120.94	2134.14 31/7	1639.03 2/1
Philippines					
Manila Comp(2/1/85)	2636.84	2616.40	2585.42	3447.60 3/2	2489.38 20/5
Portugal					
BVL 30(4/1/93)	3485.73	3469.84	3442.84	3485.73 1/8	2185.57 2/1
Singapore					
SES All-S'pore(2/4/75)	496.88	499.30	499.78	573.03 17/2	479.94 29/4
South Africa					
JSE Gold(28/9/78)	963.7	981.4	982.6	1588.10 27/2	903.90 7/7
JSE Indl.(28/9/78)	9145.5	9150.5	9122.4	9160.50 31/7	7669.50 2/1
South Korea					
KoreaCmpEx(4/1/80)	731.45	726.12	726.89	792.29 17/6	611.05 7/1
Spain					
Madrid SE(30/12/85)	592.61	598.70	602.71	628.15 7/7	434.54 2/1
Sweden					
AffarsvarldsGen(1/2/37)	3200.0	3192.2	3230.2	3232.20 16/7	2378.50 2/1
Switzerland					
SMI Index(1/7/88)	(c)	5898.2	5929.5	6012.60 8/7	3822.80 7/1
SPI General(1/6/87)	(c)	3752.66	3767.97	3768.79 8/7	2506.22 6/1
Taiwan					
WeightedPr.(30/6/66)	10001.58	10066.35	9942.79	10066.35 31/7	6844.75 9/1
Thailand					
Bangkok SET(30/4/75)	652.04	665.62	679.53	858.97 22/1	454.77 19/6
Turkey					
IMKB Nat 100(1986)	1973.00	1953.00	1903.00	2043.80 14/7	885.00 2/1
WORLD					
MS Capital Intl(1/1/70)	970.6*	981.8	979.9	988.80 31/7	794.50 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2783.12	2781.29	2770.34	2783.12 1/8	1893.80 2/1
FTSE E 100(26/6/90)	2316.99	2315.84	2319.55	2319.55 30/7	1582.99 2/1
HSBC JC Dragon(31/12/88)	(u)	434.43	430.07	434.43 31/7	381.88 29/4
ING Bngs Emrg(7/1/92)	192.72	193.60	193.42	198.81 6/7	159.74 3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (MATIF/MONEP) (200 x index)							
Aug	3105.0	3053.0	-29.0	3109.0	3083.0	12,799	29,256
Sep	3108.0	3061.0	-29.0	3116.0	3050.0	936	23,703
■ DAX							
Sep	4430.0	4358.0	-82.0	4452.0	4265.0	23,190	94,462
Dec	4483.5	4391.0	-58.5	4483.5	4333.0	160	2,673
■ OMX							
Aug	2600.00	2594.00	+1.00	2613.00	2582.00	2,469	22,276
Sep	2618.00	2594.75	-28.25	2618.00	2594.75	42	886
■ SOFFEX (Jul 31)							
Aug	5938.0	5890.0	-	5945.0	5874.0	3,677	23,221
Sep	5934.0	5889.8	-	5834.0	5918.0	37	1,085

– Sat July 26. Taiwan Weighted Price 9869.23; Korea Comp Ex 732.32. Base values of all indices are 100 except Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX - all 1,000, SMI - 1500; JSE Gold - 255.7; JSE 28 Ind - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Stand & Poor's - 10 … † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock …

US INDICES

Dow Jones	Aug 1	Jul 31	Jul 30	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8194.04	8222.61	8254.89	8254.89 (30/7)	6391.69 (11/4)	8254.89 (30/7/97)	41.22 (8/7/32)
Home Bonds	104.42	104.70	104.68	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.80 (1/10/81)
Transport	2951.30	2992.11	2973.13	2992.11 (31/7)	2222.07 (2/1)	2992.11 (31/7/97)	13.23 (8/7/32)
Utilities	233.49	235.56	234.37	240.85 (22/1)	209.47 (25/4)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8287.04 (8328.86) Low 8082.11 (8160.99) (Theoretical♠)
Day's high 8247.69 (8282.77) Low 8103.45 (8207.28) (Actual♠)

Standard and Poors	Aug 1	Jul 31	Jul 30	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	947.14	954.29†	952.29	954.29 (31/7)	737.01 (2/1)	954.29 (31/7/97)	4.40 (1/6/32)
Industrials	1112.26	1118.81	1118.00	1118.81 (31/7)	865.42 (11/4)	1118.81 (31/7/97)	3.52 (30/6/32)
Financial	110.21	111.88	110.85	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/5/74)
NYSE Comp.	490.98	494.50	493.57	494.50 (31/7)	389.47 (11/4)	494.50 (31/7/97)	4.64 (25/4/42)
Amex Comp.	644.10	646.30	645.32	646.30 (31/7)	541.20 (28/4)	646.30 (31/7/97)	524.20 (16/7/96)
NASDAQ Cmp	1594.33	1593.81	1588.05	1594.33 (1/8)	1201.00 (2/4)	1594.33 (1/8/97)	54.87 (3/10/74)

■ RATIOS

	July 25	Jul 18	Jul 11	Year ago
Dow Jones Ind. Div. Yield	1.60	1.64	1.63	2.28
	Jul 30	Jul 23	Jul 16	Year ago
S & P Ind. Div. yield	1.48	1.50	1.50	2.10
S & P Ind. P/E ratio	26.05	25.77	25.78	21.35

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Unisys	14,327,500	11⅜	+1⅜
Compaq	8,447,600	57⅞	+¼
Micron	8,266,000	50⅛	+1⅝
Colmbia HCA	7,221,200	32¾	+½
Owens Illn	6,760,500	36⅞	+2⅛
Phlp Morris	6,269,600	45⅛	−⅛
Gen Elec	6,001,200	69	−1⅝
AT&T	5,313,300	37⅜	+⅜
PepsiCo	4,529,800	38⅛	−¼
IBM	4,000,500	104⅜	−⅜

■ TRADING ACTIVITY

● Volume (million)	Aug 1	Jul 31	Jul 30
New York SE	547.874	526.897	566.478
Amex	237.369	25.841	27.771
NASDAQ	(u)	698.319	733.718
NYSE			
Issues Traded	3,388	3,397	3,423
Rises	1,050	1,718	2,073
Falls	1,835	1,146	836
Unchanged	503	537	514
New Highs	213	524	506
New Lows	18	7	11

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Sep	957.40	953.00	-4.95	960.25	941.50	59,125	178,220
Dec	969.25	963.20	-5.00	971.20	950.50	323	5,843
■ Nikkei 225							
Sep	20250.0	19800.0	-530.0	20290.0	19750.0	25,073	174,834
Dec	20290.0	19940.0	-350.0	20290.0	19940.0	40	3,682

Open interest figures for previous day.

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ♦ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, August 1, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	14.5m	1360	+20	Mitsubishi Elect	6.1m	627	-23
Toshiba Corp	12.7m	770	+3	Matsushita E Ind	5.8m	2470	
Fujitsu	12.2m	1760	+20	Yamaichi Secs	5.6m	270	+10
Nomura Secs	12.2m	1880		Sakura Bank	5.3m	717	-8
NEC Corp	7.2m	1710	-10	Nippon Steel Cp	4.9m	320	-12

NEW YORK STOCK EXCHANGE PRICES

4 pm close August 1

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	24¼	AAR x	0.48	1.3	27	678	36	35⅞	35¾	
53⅞	33⅛	AMP x	1.04	2.0	43	9763	52¼	51½	51¾	-½
108½	78¼	AMR			0	5292	107⅞	105	105½	-1⅞
37⅝	29½	ASA	1.20	4.0	20	288	30¼	30	30¼	+⅛
88⅞	49¾	AbbotL x	1.08	1.7	25	8887	65⅞	63¼	63⅞	-1⅞
20½	14⅛	Abitibi	0.48	2.0	10	298	20¼	19⅞	20	-⅛
23⅞	17⅜	ABM Ind x	0.48	1.7	21	514	u23⅞	23⅛	23⅞	+⅛
24⅛	17¾	Acptocain			11	36	23	22⅞	22⅞	
52¼	59⅛	ACE Ltd	0.88	1.0	11	486	u84¼	82	84¼	+2¼
10¾	10	ACM Gvt In	0.90	8.5	11	321	10⅝	10½	10⅝	-⅛
8	7	ACM GvOpp	0.83	8.1		213	7⅞	7¾	7¾	-⅛
10⅞	9¼	ACM Man	0.90	8.8		192	10¼	10⅞	10⅞	
18⅞	8⅞	Acme Elect				00	6⅞	6⅞	6⅞	-⅛
28	13	Acme Mills				51	15¼	15¼	15¼	
22½	14	ACNielsen			36	729	21½	21⅞	21¼	-¼
29¾	18⅞	Acuson				1110	26¼	26	26⅛	-¼
24⅞	19⅝	Adams Expr	0.56	2.3	1	248	u24⅞	24⅞	24⅛	
48½	24⅞	AdvMic				31250	37	35⅛	36⅛	+1⅞
27½	10⅜	Advest Grp	0.12	0.5	10	275	23⅞	22⅞	22⅞	-⅛
18⅞	11⅜	Aovo Inc			17	4720	u18⅞	18⅛	18⅞	+⅛
70⅞	61⅛	Aegon	1.31	1.8	28	878	70¼	74	74⅛	-1⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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FINANCIAL TIMES

No FT, no comment.

هكذا من الأصل

[redacted]

NYSE PRICES

4 pm close August 1

Continued from previous page

1997 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close	Chng
49	40½	Xtra Corp	0.80	1.7	18	146	47 7/16	46½	47	-⅛
25	20¾	Yankee Egy	1.34	5.7	14	101	23¾	23⅛	23½	-½
56	37⅞	York Int	0.48	1.6	15	893	48 7/16	47½	47⅞	-7/16
5⅞	4	Zapata s	0.28	4.9		131	5¾	5 11/16	5¾	
13⅛	9⅛	ZenithEl				674	11⅜	11⅛	11¼	-⅛
28⅞	24⅝	Zenith Nat x	1.00	3.7	15	87	27 7/16	26 15/16	27 7/16	-1/16
8	7⅛	Zenix Inc	0.73	9.4		12	7⅞	7 13/16	7 13/16	-¼
28¾	17¾	Zero	0.12	6.5	19	168	26⅝	26⅛	26⅜	-¼
12 7/16	10¾	ZweigFd	1.20	9.7		558	12½	12 7/16	12⅜	-⅛
9 1/16	8	Zweig Tot	0.84	9.4		1066	9	8 15/16	8 15/16	-1/16

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¢ Dealings suspended

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NASDAQ NATIONAL MARKET

4 pm close August 1

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
- K -							
K Swiss	0.08	1	88	16¼	17	17	-1⅜
Kaman Cp	0.44	26	314	16⅜	16⅛	16¼	+⅛
Kelly Sv	0.88	15	1438	30⅞	30⅛	30¾	+½
Kimball	1.16	15	485	43⅝	42	43½	+1¼
KLA-Tn		49	19537	62⅛	59½	61 11/16	+1⅛
Koll A			z0	⅛	⅛	⅛	
Komag♣		21	11436	21 1/16	20½	21½	+11/16
Kulicke S			5894	40⅜	37¾	40½	+1 5/16
Phcebk	0.68	9	45	20⅜	20⅛	20¼	+⅛
Powell		15	2	16	15¾	16	-½
PresCas			2089	¾	9/16	9/16	-3/16
Pres Life	0.30	15	323	19½	19¼	19⅜	-⅛
Presstek		130	4632	42	39	41¾	+⅛
PridePtA		12	3446	u27	25⅞	26 7/16	-¼
Printroni		17	373	15¼	14 13/16	15⅛	+5/16
Qualcomm		48	11289	47¾	46	47⅜	+1⅛
Qual Food		23	z0	41 13/16	41 13/16	41 13/16	-1/16
Quantum		15	28697	29½	28⅝	28 7/16	+⅜
Quicksilv		21	1559	u37⅞	35⅛	35½	-1½
Quintiles		170	2861	78⅝	74¼	75	-⅜
Wthinds	0.52	20	6385	19 13/16	19½	19 11/16	-⅛
WPP ADR	0.29	20	833	43	42¼	42⅞	+1¾
Wyman-Gdn	0.40	34	1600	26⅞	26⅛	26¾	+¼
- X - Y - Z -							
Xilinx♣		34	30057	49½	47¼	48	+1⅜
Xircom		22	4577	13 9/16	12⅞	13⅛	+⅛
Xoma Corp			1715	5 5/16	5 3/16	5¼	-¼
Yellow			1971	27⅜	26 15/16	27 5/16	+1/16
York Rsch		16	267	6 5/16	6⅛	6¼	
ZionUtah	0.48	19	955	35¾	35½	35¾	

AMEX PRICES

4 pm close August 1

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.25		0	8.25	3	Lernout & Hauspie	US$32	-1	16230	34	25
Artwork Systems	US$9.375		9080	11.125	9.375	Mercer Int'l	US$9.875		0	11.75	8.125
Chemunex	FFr11.5		0	16	11.5	NTL	US$21.625	-0.125	6	25.125	21.625
Debonair Holdings	GBP£2	+0.1	532500	6.9	4.5	PixTech	US$3.875		6	6.125	3.75
Dr Solomon's ADS	US$24.25	+0.125	0	28.375	16.375	Schoeller-Bleckmann	Sch1210	+12	16020	1210	900
EDAP TMS	US$9.125		0	9.125	9.125	Topcall Int'l	Sch3275	-16	580	3318	3065
Esprit Telecom ADS	US$6.375	-0.375	0	12.25	5.375	Turbodyne Technol	US$3.98	+0.05	2000	3.98	3.88
Innogenetics	US$10.625		92450	12.75	10.125						

Prices for 1/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 20) and in London (Tel: 44-171 / 489 9980)

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FT GUIDE TO THE WEEK

MONDAY 4

Upwardly mobile?

The sights of mobile phone industry watchers will be trained on Helsinki when Nokia, the world's second-largest cellular handset supplier, announces half-year results. Expectations for strong earnings growth are always high in the booming mobile market. But they are even higher after an impressive six-month report from Ericsson, Nokia's Swedish rival, last month. Profits are forecast to more than double, and analysts will be scrutinising Nokia's mobile phone sales for any signs of pick-up or slowdown in industry growth.

Tokyo "open skies" talks

US and Japanese trade officials start three days of talks in Tokyo, hoping for a breakthrough in aviation negotiations which have been deadlocked since earlier this year. The US is pressing for an "open skies" agreement, but Japan has refused to contemplate the proposal, favouring a relatively minor updating of existing bilateral agreements. The two sides have said they will reach agreement by the end of September, but there is still a wide gap between them.

Turkish court plea

Turkey's leading Islamist party submits its defence today in a constitutional court case brought by a state prosecutor demanding the party's closure for agitating against the secular state. Welfare party leaders denounce the charges as "childish" and part of an army plan to stamp out political Islam in Turkey. If Welfare loses, the party will be closed and its leaders banned from public life for five years. Although Welfare plans to reopen the following day under a new name, it could still be at a disadvantage in elections planned for next year. In the previous 1995 elections, Welfare won more votes than any other party.

Mexico visit

Mr Larry Summers, deputy secretary at the US Treasury and the highest ranking US official to visit Mexico since last month's mid-term elections, will be in Mexico City to discuss shared policies and common goals of US and Mexican economic plans.

TUESDAY 5

Bundestag tax debate

Germany's Bundestag – the lower house of parliament – meets to debate the government's tax reform plans, having been recalled from its summer break. The sweeping reforms, regarded as vital by German business, have been held up by the Bundesrat, the second chamber, which is controlled by the opposition Social Democratic party. The protracted dispute has raised questions about Germany's readiness to accept reform. The Bundestag is expected formally to reject proposals outlined last week by a conciliation committee which sought to strike a deal between the two chambers of parliament. Neither the government nor SPD are likely to offer further compromises.

Competitors in the Admiral's Cup series (above) which reaches its climax on Saturday with the start of the Fastnet Yacht Race PA

Russian nickel auction

An auction for a 38 per cent stake in Norilsk Nickel, Russia's biggest metals group, will test the government's new-found commitment to conduct asset sales honestly and openly. For almost two years, Oneximbank, one of Russia's most powerful commercial banks, has been managing this stake in trust following the controversial shares-for-loans privatisation transfer in November 1995. Oneximbank, which is organising the auction, is sure to bid to maintain permanent ownership of the stake but it is not clear whether other bidders will get a look in.

Korean treaty talks

North and South Korea, the US and China will meet in New York to discuss preparations for four-party talks on a peace treaty to bring a formal end to the 1950-53 Korean war. The meeting will focus on setting an agenda, deciding the level of representation, and selecting a venue for the talks which were proposed a year ago by the US and South Korean presidents. The negotiations would represent a diplomatic breakthrough in ending North Korea's isolation and promoting stability on the Korean peninsula. North Korea agreed to the talks in the hope that they will lead to increased food aid for its starving population.

Japan celebrates

Japan's summer festival season heats up with the start today of the four-day *Tanabata* festival in Sendai, a city north of Tokyo. Fireworks, parades and colourful paper decorations around the city celebrate a folk legend about two celestial lovers, the weaver star (Vega) and the cowherd star (Altair), who meet once a year by crossing the Milky Way. There are two other big festivals this week in northern Japan: Aomori's *Nebuta* festival and Akita's *Kanto* festival.

Thai economic package

Thailand is expected to unveil an economic reform package, developed in consultation with the International Monetary Fund. The package will be watched closely by financial markets throughout South-east Asia because its strength will determine whether the baht – along with the region's other currencies – will stabilise or continue its downward trend. The package is likely to include measures to raise taxes, cut government spending, revamp Thailand's policy of unconditionally bailing out troubled financial institutions, and the privatisation of state enterprises. Analysts say its contents are less important than whether the package has explicit IMF endorsement.

NTT treaty review

Japanese and US government officials are due to meet in San Francisco today to review Nippon Telegraph and Telephone's international procurement for the year ended March 1997. Japanese officials have said they would not discuss a renewal of the Japan-US pact on NTT's procurement unless Washington granted NTT an international telecommunications licence in the US. Japan and the US meet annually to review NTT's international procurement, which amounted to Y173bn ($1.4bn) in 1996-97. The Japan-US pact on NTT's international procurement, first signed in 1981, will expire at the end of September.

Tudjman inauguration

Franjo Tudjman will be inaugurated for his second five-year term today. The former Yugoslav general and dissident who led Croatia on its path to independence in 1991, won the presidential elections in July with more that 60 per cent of the vote. The elections were described as "free but not fair" by international observers. During his second term Mr Tudjman will preside over the re-integration of Eastern Slavonia, which Croatia lost during the fighting in 1991.

WEDNESDAY 6

Racketeer penalties

Penalties imposed on Japan's Nomura Securities and Dai-Ichi Kangyo Bank for their dealings with corporate racketeers take effect. The penalties – the heaviest imposed by Japan's Ministry of Finance – were announced last week, but both companies were given a week's grace to notify clients. For one week from today all branches of Nomura, Japan's largest securities company, will be prohibited from conducting stock-related business. Nomura is also banned from proprietary stock trading and from participating in government bond underwriting and auctions until the end of the year, and from securities trading and futures broking at its head office until September 5. DKB is banned from taking part in new lending (except mortgages) until the end of the year, and prohibited from opening new offices or carrying out investment trust business until August 5 next year.

THURSDAY 7

Relief for Mir

Two Russian cosmonauts preparing to relieve the tired three-man crew on Mir are due to arrive at the ageing space station today after blasting off from the Baikonor cosmodrome in Kazakhstan on Tuesday. Their main task, following a gruelling training programme, will be to start repairing the damage caused by a June 25 collision between Mir and an unmanned cargo ship.

Chile gas pipeline

Presidents Eduardo Frei of Chile and Carlos Menem of Argentina will formally inaugurate the first gas pipeline to Chile. The 465km pipe, built by a Canadian-Chilean consortium, runs across the Andes at up to 3,700 metres above sea level. It runs from Santiago to Mendoza where it connects with the Argentine network. The two presidents will first meet in Mendoza and then fly to Santiago for a second ceremony.

Cricket

England meet Australia at Trent Bridge in the Fifth Test (five days).

FRIDAY 8

Chemical attraction

China holds a four-day international polyurethane industry exhibition in Beijing to attract foreign partners. Fifty Chinese and foreign chemical producers will participate in the exhibition which aims to develop China's polyurethane sector to meet the demands of its car and electric appliance market. China produced 445,000 tons of polyurethane in 1996 and the total volume of Chinese products made from polyurethane is expected to reach 700,000 tons by the end of the century. China hopes that the participation of foreign chemical groups, such as BASF, Bayer, Arco Chemical and Shell, will attract research and development funds and advanced technology.

Golf

Great Britain and Ireland defend the Walker Cup, New York.

WEEKEND 9-10

Fastnet challenge

The Fastnet Yacht Race, the most important challenge of the Admiral's Cup series which began last week, starts at Cowes on the Isle of Wight on Saturday. Weather permitting, the first boats should cross the finishing line at Plymouth, England, from the following Tuesday. A fleet of about 200 yachts from around the world traditionally takes part in the race to the rock and lighthouse, eight miles off the coast of County Cork, Ireland.

Festive Edinburgh

The Edinburgh International Festival begins on Sunday, with a concert under the baton of Pierre Boulez. For the next three weeks the Scottish capital will be host to the world's largest cultural event. As well as the main festival, which includes performances by the Royal Opera, San Francisco Ballet and Nottingham Playhouse, there is the Edinburgh Fringe, with 10,000 performers mounting 1,300 shows. There are also film, television and book festivals, plus tha annual tattoo at Edinburgh Castle.

Long March launch

China is due to launch a satellite on Sunday for the Philippines with Long March 3B, after its abortive first flight in February 1996. The launch, scheduled to take place between August 10 and 12, is expected to send the Mabuhay communications satellite into orbit. Long March rockets have blasted two Chinese domestic satellites into orbit since May. China's next launch will be Apstar 2R, Hong Kong's telecommunications satellite, in September. Four more commercial launches are planned for 1997.

Windsor collection

About 200 lots from the New York sale of the contents of the Paris home of the Duke and Duchess of Windsor will be on view on Sunday (to August 15) at Sotheby's in London. The collection will document the life and the love story of Edward the Prince of Wales and the American-born Wallis Simpson for whom he gave up the throne in 1936. The highlight will be the "abdication desk" on which Edward VIII signed the instrument of abdication. It is estimated this will fetch $30,000-$50,000. The complete collection will be exhibited in New York from September 5 to 11 when the first session of the auction begins.

Motor racing

Hungarian Grand Prix, Budapest.

Compiled by Bob Vincent
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: German industrial production in June may have rebounded because of a larger order backlog and a better business climate in manufacturing. The markets are looking for an annual rise of between 7 per cent and 8 per cent.

Tuesday: UK industrial production in June will have been affected by weakening export demand and strong domestic demand. Total production is forecast to have increased at an annual rate of about 1.2 per cent.

Wednesday: German unemployment is unlikely to have improved much during July, as various labour market programmes are being phased out.

Thursday: US Consumer credit is forecast to have picked up in June after weak credit figures in May, especially for automobile and revolving credit. Overall, US consumer credit is forecast to remain modest, giving little rise to worries about inflation.

Friday: Japanese machinery orders in June are forecast to have fallen by a monthly 5 per cent as the underlying pace of order growth is weakening.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	July M0*	0.3%	1%
Aug 4	UK	July M0**	6.2%	6.3%
	UK	July official reserves		-$2m
	UK	June housing starts		
	US	June leading indicators	0.1%	0.3%
	US	June construction spending	1%	-1.8%
	Germany	June industrial production*	1%	-1.5%
	Germany	June manufacturing output*	1.5%	-1.3%
	Germany	June industrial production - west*		-1.7%
	Germany	June industrial production - east*		-0.4%
Tue	Japan	June overall prsonl cosmr expendtre**	-2.8%	-2.2%
Aug 5	Japan	June prsonl cosmr expendtre - wrkrs**		-1.5%
	Japan	June income - wrkrs**		1.5%
	Italy	July cosmr prce indx - ex-tobcco*	0.0%	0.0%
	Italy	July cosmr prce indx - ex-tobcco**	1.8%	1.4%
	UK	June industrial production*	0.5%	-0.9%
	UK	June industrial production**	1.2%	-0.2%
	UK	June manufacturing output*	0.4%	-1.1%
	UK	June manufacturing output**	1.2%	1.1%
	UK	July CIPS survey		62.9%
	US	BOT-Mitsubishi Aug 2		0.4%
	US	June home completions		1.37m
	US	Redbook Aug 2		0.1%
	Japan	July trade balance (1st 20 days) nott		Y213bn
Wed	Germany	July unemployment†	2,500	11,000

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Aug 6	Germany	July unemployment† - west		-1,000
	Germany	July unemployment† - east	5,000	12,000
Thur	UK	June construction orders		
Aug 7	UK	July CBI distributive trades		39%
	US	Initial claims Aug 2	300,000	277,000
	US	State benefits July 26		2.33m
	US	June wholesale trade		0.2%
	US	June consumer credit	$5bn	$3bn
	US	M2 week ended July 28	$4bn	$3.9bn
	Japan	July overall wholesale price index*	-0.1%	-0.7%
	Japan	July overall wholesale price index**	1.7%	1.9%
	Japan	June current account (IMF) nott	Y965bn	Y654bn
	Japan	June trade balance (IMF) nott		Y925bn
Fri	Japan	June mchnry ordrs ex-elec pwr & shps**	13.5%	8.8%
Aug 8	Japan	June mchnry ordrs ex-elec pwr & shps*	-3.3%	12.9%
	Italy	June industrial production†*	0.6%	0.3%
	Italy	June industrial production†**	8.5%	-1%
During the week...				
	Germany	June manufacturing orders*	0.6%	-1.4%
	Germany	July final cost of living - west*		0.3%
	Germany	July final cost of living - west**		1.7%
	Germany	July cost of living*	0.5%	0.2%
	Germany	July cost of living**	1.9%	1.7%
	Switzrld	June retail sales**		2.2%

*month on month, **year on year

Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

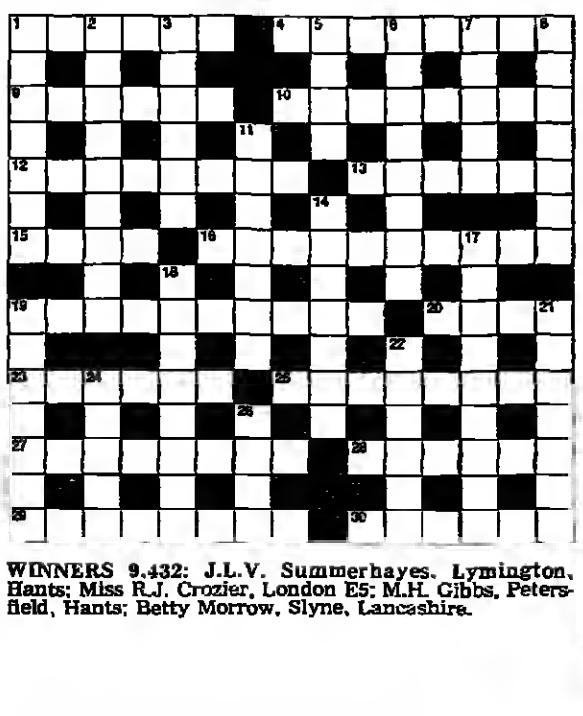
No.9,444 Set by DANTE

ACROSS

1 A sound combination of *notes in harmony* (6)
4 Act a central role, then quit (8)
9 Union leader caught in female clothing gets imprisonment (6)
10 Its choir in production is unforgettable (8)
12 Monk who founded an order on Scottish mountain (8)
13 Threaten a mischief-maker with death, perhaps (6)
15 Terrible ache in a head (4)
16 Gains money from records? (5,5)
19 *Liking getting* precedence – for shares? (10)
20 Well-established business (4)
23 It's natural in staple food, we hear (6)
25 Frank won't distribute capital (8)
27 Cut to size or followed around (8)
28 He gets the game off to a flying start (6)
29 As a pre-Raphaelite he pledged himself to resist change (8)
30 Allow the devil *in* and he's not easily shifted (8)

DOWN

1 Bail due for release, it's *heard* (7)
2 The French follow continuing account (9)
3 Soldier with interest in wanting to live (6)
5 Samuel's teacher has a name for writing essays (4)
6 One metal fused into many (8)
7 Clipped trees into shape (6)
8 Settles month and day (7)
11 Close shaves? (7)
14 Those who foil trespassers? (7)
17 A somewhat bald description (4,2,3)
18 *Girl and writer run off to* marry (8)
19 Bow tie for an artist (7)
21 Tower encountered round Iran, perhaps (7)
22 Enemy I trounce comes from an Arabian country (6)
24 Result of ignorance among composers (5)
26 Go to get some citrus flavouring (4)



WINNERS 9,432: J.L.V. Summerhayes, Lymington, Hants; Miss R.J. Crozier, London E5; M.H. Gibbs, Petersfield, Hants; Betty Morrow, Slyne, Lancashire.

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday August 14, marked Monday Crossword 9,444 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 18. Please allow 28 days for delivery of prizes.

Name...

Address...

Solution 9,432

Davys
FINE WINES AND EATING

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The Breakfast Seminar will examine how EMU is likely to impact business and how European companies are preparing for it.

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